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ABSTRACT

School finance reform has reflected, over the last 10 years, the changing relationship between education and state government. Emerging from the case histories presented here is the conclusion that, gradually, the barriers separating education policymakers from general government have been lowered. At the same time, the fragmentation among education interest groups has increased. While the process of school finance reform has varied among the states, a number of common elements characterize reform in six states discussed here (Maine, Florida, New Mexico, California, Missouri, and South Carolina). First, reform occurred when compromises were made within study commissions prior to legislative consideration. (Oregon, where such compromises were not made, offers this publication's sole example of the failure of reform.) Second, the involvement of governors and key legislators was necessary. Although the role of traditional education groups was relatively low, new interests, including taxpayers, minority groups, cities, and nationally recognized organizations, played an important role. The availability of state funds, judicial pressure, and long periods of planning time were all important. The reform process did not change significantly throughout the 1970s in spite of emerging issues like declining enrollment and accountability. (Author/JM)

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State Education Politics: The Case of School Finance Reform

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Report No. F79-12

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Executive Summary

During the past decade, many states have reviewed their school finance systems. While a majority of the states have passed reforms of one form or another, the process of reform and the characteristics of reform have differed somewhat among the states. School finance reform is one activity that has reflected, over the last 10 years, the changing relationship between education and state government. Gradually, the barriers separating education policy makers from general government have been lowered. At the same time, fragmentation among education interest groups has increased. In a sense, this is not unexpected given the broad fiscal implications of school finance reform. The politics of school finance reform, however, are not unique; they are representative of education politics in general.

While the process of school finance reform has varied among the states, a number of common elements characterize the achievement of reform. First, reform occurred when necessary compromises were made within study commissions prior to legislative consideration. Second, the involvement of governors and key legislators was necessary to achieve reform. While the role of traditional education groups was relatively low in school finance reform, the involvement of new interests, including taxpayers, minority groups and cities, was an important factor in reform. Also, in many states the expertise provided by nationally recognized groups was an important ingredient in the reform process. The availability of state funds, pressure from the courts and long periods of time during which issues could be studied and resolved were all important in the achievement of reform.

Interestingly, the reform process did not change significantly throughout the 1970s despite the fact that numerous other education issues, such as declining enrollment and accountability, emerged. In part this is because school finance reform involves broad issues of major interest, including tax reform. While new issues will continue to emerge, the most likely deterrent to school finance reform will be the unavailability of state funds. The process of school finance reform, the politics of redistributing state resources, is likely to be modified only slightly as new education issues emerge. The extent to which education politics and general government politics become integrated will probably be increased as education and tax issues are viewed as being interdependent.

Introduction

Within the past decade, more than 25 states have made impressive strides in reforming school finance systems. This achievement is symptomatic of a broader assumption of responsibilities by state government in a wide range of education matters, over the past decade and a half. After 10 years of rising federal involvement in education, the states are on the move. In addition to school finance, states are creating new systems for pupil assessment and teacher training.

In the early 1960s, however, a large body of literature critical of the ineffective and undemocratic nature of state government was written. For example, as the urban crisis exploded on the national scene, Alan K. Campbell observed:

> Condemned, berated and harrassed, state government has served as both the whipping boy and the scapegoat of the American governmental system. Long dominated by rural interests, recently forced to reapportion themselves, state legislatures along with the executive branches of state government are now being asked to take more responsibility for their cities (1970, p. 1).

Once described as the "keystone of the American governmental arch," several critics in the 1960s claimed that state government acted more like a "fallen arch." But the states, by virtue of their position midway between federal and local government, do have the formal power to change fundamentally many public services, especially American public education. School districts are creatures of the state and can be combined and eliminated. Local governments can levy taxes only with the permission of the state.

Education, of course, is not unique in this respect. Land use control, welfare reform and environmental protection are but three of the many substantive areas in which some state governments have shown themselves to be effective innovators and regulators in recent years. Since elementary/secondary education consumes 58 percent of total state aid to local governments, state response to education matters is an important general indicator of the responsiveness of American federalism.

In this booklet basic institutional and political processes that underpin a new era of state education policy are explored. Education

policy making cannot be considered separately from general political factors such as governors, legislatures, constitutions and civil service requirements. Educators are coming to grasp how thoroughly their activities are intertwined with general trends and institutions of state government.

The overall plan of this booklet is to explore and illustrate these interrelationships. It begins by examining the traditional relationships between education decision makers and general government. The theme of Chapter I concerns change in the institutions of policy making and in the interactions among these institutions. Chapter II concentrates on the education interest groups and contrasts conventional configurations with more recent developments. In Chapter III the issue of school finance is discussed as a prelude to the case studies. School finance reform has been a paramount issue for the states in the 1970s. Five case studies of the politics of reform in Maine, Florida, New Mexico, Oregon and California in the early part of the decade are presented in Chapter IV. In Chapter V three states, South Carolina, Missouri and California, that faced reform later in the decade are analyzed. Finally in Chapter VI the findings of the trends in the case studies that illustrate the politics of education policy making are summarized.

I. State Government and Education Policy Making

Education in the General Context of State Politics

Education policy is formed in the context of each state's larger political environment. Political parties, legislators, governors, politically-oriented special interest groups, and sometimes the state judiciary play a part in molding education decisions within limitations decreed by state constitutions, existing legislation and other institutions.

V.O. Key Jr., in the preface of his *American State Politics*, aptly describes state politics as "a terrain both large in its extent and bewildering in its complexity" (1966). Education decision making reflects complex social, economic and political characteristics which vary widely among the 50 states.

Professional educators have been among the most vocal opponents of the politicization of education. The new structures emerging in the 1970s in education governance, involving explicit political linkages, have been opposed by many educators. This has created a controversy that boils down to a continuation of traditional philosophical disagreements about the political nature of education; some believe that close linkages between politics and education are anathema, while others insist that education increasingly is an inseparable part of the political process.

Advocates of this new approach see the institutionalization of the link between politics and education as a distinct advantage. James Bryant Conant indicated that "education like other public enterprises must compete for what is available" (1964, p. 37). He recognized that "a grave shortcoming of our educational leadership at the state level ... is often its unwillingness or incapacity to respond to forces outside of the establishment" (1964, p. 58). In formulating an Education Commission of the States, Conant explicitly recommended that important actors in the state policy-making process, including governors and legislators, should be included.

The Role of General Government

The traditional manner of education policy making at the state level, prior to the 1960s, was shaped by the desire to separate education and politics. It was characterized by close ties between state education officials and professional educators and the relegation of

general government to a secondary role. Governors and legislators were often presented with education policies that already had the unified support of the education community and the ratification of such policies was expected. They had neither the staffs, nor the time and expertise to question the professionals, particularly in a field in which political intrusion was viewed negatively.

This traditional configuration has undergone a tremendous amount of change; governors and legislators are now much more extensively involved in education politics. They are not merely ratifying the decisions of others but initiating education policies and making an effort to monitor the implementation of such policies. The new, enhanced role of general government has several roots.

In the wake of reapportionment and reform, legislatures have become streamlined and more efficient instruments for addressing all aspects of the policy-making process. Governors also have benefited from enhanced staffing and the growth of the enterprise of state government as new service needs are being addressed. Since questions of finance have always surpassed other education policies in attracting gubernatorial and legislative interest, the growth of school finance reform as an issue has been partially responsible for the increasing role of general government.

State Institutional Structures for Education Governance

The change in state education policy making has involved more than an increased role for general government. The institutional structures of state education governance have themselves undergone various transformations that have affected their relationship to one another and their functioning in the policy process.

The state board of education is the primary policy-making body for the state school system within the statutory framework provided by the legislature. Traditionally, most state boards of education (SBE) have not been particularly dynamic. Campbell and Mazzoni found that the strength of SBEs most often cited by legislative leaders was merely their prestige. The weaknesses of SBEs most frequently named were lack of a history of political influence, lack of visibility (within the legislature), and dependence of SBEs on the chief state school officer (Campbell and Mazzoni, 1974, pp. 43-44).

Another study found that state boards were even more severely hampered than their local counterparts by constraints such as infrequent meetings and geographical detachment from the state capitol (Berke and Kirst, 1972, p. 69). In addition, a lack of expert, independent staff prevented lay board members from competing with

the chief state school officer and his or her professional staff in dealing with the substance and rationales of education decisions. The method of board selection also contributed to the state board's lack of impact. In states where the board members were elected, the election was a "non-event" and the public remained unaware of the issues or candidates (Berke and Kirst, 1972, p. 69). Aufderheide, in a study for the Educational Governance Project funded by the U.S. Office of Education at Ohio State University, concluded that:

> ... for all practical purposes the educational interest groups largely ignored the state boards of education as non-vital policy system participants. In short, the groups wouldn't miss the state boards of education if they suddenly disappeared (1973, p. 209).

In the past five years, however, state boards of education have taken several steps to enhance their position in the policy-making process. A national organization, the National Association of State Boards of Education (NASBE), has been formed. Housed in Washington, D. C. and led by Executive Secretary Wesley Apker, NASBE has become an effective lobbying organization in the nation's capitol while bolstering the role of state boards across the country. Activists Adrienne Bailey of Illinois and Mike Kirst of California are two current presidents of state boards that reflect the development of these important state education groups.

The chief state school officer heads the state education agency and is accountable in 27 states to the state board, although elected in 18 states and appointed in 5 others. In recent years a new breed of chief state school officer has come into office in a number of states. These officials have become much more actively involved in general political processes and more philosophically attuned to the idea that state education policy making is an integral part of the overall political process. In many cases, the emerging role of the states in education has enhanced the power of the chief state school officer as well.

As the duties of the chief state school officers have grown in importance, greater attention has been devoted to the caliber of persons in these positions and the various advantages and disadvantages of the several selection procedures. Chief state school officers no longer can be concerned with only inspection, approval and predominantly statistical and clerical functions. With the advent of new federal and state programs, state education agencies have come to be expected to provide forceful and imaginative leadership. Chief state school officers have been called upon to provide professional leadership that transcends routine official functions. Their most important responsibility, according to one source, has become the provision of insights "in planning and conducting continuous studies that provide the basis and rationale for proposing goals, policies and priorities for the improvement of education" (Hansen and Morphet, 1970, p. 50).

State departments of education (SDEs) are critical components of state government. These agencies typically are understaffed, lacking personnel with the expertise to discharge adequately responsibilities in areas such as education planning, evaluation, training and research and development.

Education departments traditionally have performed only maintenance functions. Three stages characterize the development of state departments of education. Departments early in their history primarily gathered, compiled and published education statistics. The so-called statistical stage was followed by the inspectorial stage of development. Enforcement of standards replaced data collection as the principal focus of SDE efforts. In the last stage — leadership — state departments have become more involved with consultation and making available their expertise to local school districts (Layton, 1967, p. 6).

But even in this most recent stage, state departments have emphasized noncoercive service and assistance rather than actual inspection and control, consonant with the norms of local control which have prevailed throughout American education history. From tiny operations, state departments have grown into complex organizations. Federal legislation has not only allocated greater responsibility to state agencies, but more importantly, has provided them with additional resources and larger staffs to deal with the increasingly significant responsibilities they have come to assume at the state level (Iannaccone, 1974, p. 14).

The changes in the institutions of state education governance have been so interrelated that it is impossible to view any one policy actor in isolation. For example, the modernization of state departments of education has been spurred by the larger role of governors and legislators. In similar fashion, citizens interested in education policy have experienced changes in the organizations that they join to voice their opinions. Education interest groups have undergone transformations that both influence and reflect the changes in policy-making institutions.

II. Interest Groups: Changing Patterns of Coalition Building at the State Level

The Concept of Coalitions

Politics, according to one opinion, is "the fashioning of coalitions of influence in an attempt to determine what values will be authoritatively implemented by government" (Bailey, 1962, pp. vii-viii). Decisions concerning state school aid policies are the products of political conflict and resolution. They are influenced substantially by coalitions of outside interest groups.

Different individuals and groups bring different interests and objectives to state education policy forums. Interest groups vary in their mutual compatibility, partly as a consequence of the substantive form they take, but also as a consequence of the alternative combinations of policies and options already before state government. In many ways the essential quality of a state education leader is the ability to build political coalitions.

The coalition perspective on state decision making sees any decision as possible if there is enough support for it among the various external interest groups and subunits within state government institutions. In order to secure support, various trade-offs are undertaken. Policy proposals are modified to include (or exclude) items of concern to key potential supporters; agreements are made to trade support on other or future state policies for support on a current issue; third parties are encouraged to intervene. In short, coalitions are formed by "horse trading" until an acceptable policy is hammered out.

William Riker has developed several theories on coalitions. He contends that the growth of coalitions depends on the ability of leaders to attract followers by offering "side payments." Side payments include anything that has value for possible coalition members including money or promises on policy. Sometimes coalition leaders have a stock of side payments in their hands when they begin negotiations. As they dispense promises they use their working capital which presumably will be replenished out of the gains of a winning coalition. More typically, education leaders operate on credit, promising rewards with the understanding that they will honor their promises only if they are successful (Riker, 1962).

Leaders and followers are differentiated according to whether they offer or receive side payments. A leader rarely has enough resources to pay everybody. Excess members of a winning coalition cost something to acquire and lessen the gains. At some point in the process of making side payments, the leader decides that he or she has paid out all that winning is worth. But since some factions are left out, the attempts to form a coalition generate opposition.

James March has defined a means of analyzing coalitions. He asks: Is there a winning coalition? Is the goal achieved unique? Is anything clearly excluded? Would the possibilities be changed by expanding the coalition slightly? In many situations, there are several potentially winning coalitions. Consequently, there is a role for leadership in constructing a particular coalition and thereby limiting the policy options (March 1973).

Coalition Organization: An Overview of Developments and Changes

In recent years there have been developments that have made the traditional strategies of coalitions anachronistic in some states. The state education establishments are no longer as monolithic or as unified as they once were. In some states, the education coalitions have been upset by the militant tactics of teachers' organizations. A conflict between teachers and school board associations has grown more intense in some states. The situation has become most acute in major industrialized states, but cleavages within once relatively cohesive education coalitions have occurred in less industrialized states as well. The unity and the strength of a number of coalitions have diminished as a result of the estrangement of key constituent organizations from other coalition members.

A seminal study by Stephen K. Bailey categorized pro-school interests into four major groups:

> First are the educational academics who fashion in the first instance plans for school aid and form the intellectual core of the movement. Second, come the officials in state government, sometimes leaders in state departments of education, sometimes officials with other responsibilities, who adopt the school cause. The third group consists of the professional educators — teachers, superintendents, principals — and their lay supporters, school board members, PTAs, and school betterment groups and the coalitions which those interests strike. Finally, there are the "surprise" actors, individuals and associations engaged in pursuits not normally aligned with public schools but which for numerous and subtle reasons make common cause with the schoolmen (Bailey, 1962).

State education decision making probably is best explained by focusing on the activities of these coalitions. Until very recently the col-

laboration endemic to them has set the consensual style which has characterized state education politics.

The Structuring of State Education Coalitions

Education-oriented organizations in most states have coalesced for political action in much the same way as interest groups representing labor, veterans, farmers or manufacturers. Some states have had cooperating councils of organizations for the purpose of advancing education legislative aims. In others there have been informally structured cooperative efforts.* These groups vary enormously from state to state in their structure, ways of operating and effectiveness.

The organizations which usually have formed the membership core of the education coalition include the state teacher association, the state school boards association, various groups representing school administrators and the state PTA. In some states, the coalition has been small and tightly controlled by organizations that focus primarily on education. In others, the coalitions have been much more broadly based, including a plethora of lay organizations as well as the usual professional groups. Members of the coalition may have interests only tangentially related to education, such as the Chamber of Commerce, American Legion, Federation of Women's Clubs, Grange, Jaycees and League of Women Voters.

In some states, different education alignments have formed for different issues, emerging visibly only at a time of crisis. Some leaders believe education interests, if effectively organized on a permanent basis, do not have to be active on a regular basis. They contend that regularly scheduled meetings and over-organization might even vitiate the impact of the coalition at times when its activities were crucially important.

Coalition Domination by Professional Associations

Teachers and school board associations have tended to dominate the education coalitions. These organizations, especially the teachers associations, have the large grassroots memberships necessary to provide the political muscle, expertise and financial resources required to implement coalition policy. With these resources available,

*These formal and informal education coalitions are labeled in a variety of ways. In Maine, Massachusetts and New York, for example, the coalition is called the Educational Conference Board. Other illustrations of the varied titles of these coalitions are the Colorado Committee on Education Legislation, the United Forces for Education in Delaware and North Carolina, the Joint Action Committee in Pennsylvania, the Committee for Education in South Dakota, the Tennessee United Organizations for Education and the Allied School Council in Washington state.

the teachers' group often has assumed most of the responsibility for supporting the coalition's research and clerical activities as well as its financial needs. Expertise and long tenure as coalition members have placed the executive secretaries and staffs of these associations in strong leadership roles. Presidents of lay organizations, who frequently are replaced by the time they become knowledgeable, usually have not exercised the leadership provided by experienced staffers of the major education-related organizations (Aufderheide, 1973, p. 205).

Nonetheless, other organizations in state education coalitions have not been powerless. Frequently an outstanding coalition delegate representing the PTA, the League of Women Voters, or some other group has assumed leadership by virtue of unusual individual dedication and outstanding expertise. Many times the quality of the individual delegates has been more significant than the power of the various supporting organizations. However, in most cases the leadership initiative has resided with the professional secretariat of the constituent teachers' organization.

Strategy and Influence of State Education Coalitions

The influence of any particular education coalition is based on its success in working compatibly within the state's larger political environment, primarily legislators and governors. Nicholas Masters and his associates, in their study of the state politics of education in Missouri, Michigan and Illinois, found that educators articulated their demands according to what they thought the political system in their state would allow (Masters, Salisbury and Eliot, 1964).

Despite variations in coalition behavior, their basic strategy has been consent building among constituent organizations. Every effort was made to avoid divisiveness within the coalition, which builds strength through unity. In most states, a policy must first be sent to the member organizations for ratification before it is adopted. Most coalitions seem to have been unsure of themselves and on rather shaky ground concerning their constituent organizations, which prize their individual identity and autonomy. Volatile issues were avoided in order to maintain unity. The sensitivity of the racial issue, for example, apparently blunted efforts to create viable coalitions in some states in the South in the 1960s.

"Invisible politics" has been the strategy of most coalition groups, which prefer to remain behind the scenes as catalysts. In many states coalitions have functioned primarily as clearinghouses or disseminators of information. Acting as sounding boards, they have relied on their constituent organizations to follow through, politically.

Most coalitions have focused on legislative programs and activity, particularly concerning state aid and related fiscal objectives. The state aid issue has been the glue that holds many state coalitions together, and almost all groups interested in education have supported additional state aid.

Fearful of risking the unity of the coalition on relatively unimportant issues, many education coalitions have focused their attention almost exclusively on fiscal matters. By undertaking extensive finance studies and abstaining from more assertive positions on politically volatile issues, they have attempted to project the image of objective, research-oriented organizations interested solely in facts pertaining to the "all-important" fiscal issues. However, sometimes the coalitions have concerned themselves with other issues, such as district reorganizations or vocational, technical or special education.

Patterns of Interaction

Iannaccone, several years after the Bailey and Masters' studies, developed the contention that any political system, including education, can never be totally divorced from its social environment. He was apprehensive about education's isolation from the competition of the party system and believed that the public weal required the "political institutionalization of a loyal opposition inside the politics of education" (Iannaccone, 1967, p. 18).

Iannaccone found that the dominant pattern of pedagogical politics at the state level tended toward the elimination of even a loyal opposition, a reward pattern for maintaining the status quo, the absence of adequate self criticism and the establishment of an internal education power elite. The absence of a competitive two-party system in state education politics did not shield the schools from political issues, Iannaccone said, but instead molded the state politics of education into the politics of interest groups. The typology Iannaccone developed was built upon the nature of the organizational structure, which characteristically links the network of education groups to the legislature.

In Iannaccone's first political pattern, "locally-based disparate," the ethos of local control of education dominates and district autonomy has been protected from the influence of outside forces, particularly the state or federal government. Education interests may have united on an *ad hoc* basis when seriously threatened, but such coalitions withered away once the immediate problem which caused their creation was resolved.

In states with the second kind of structure, "state-wide monolithic," the education interests have built a united front so that the

legislature has been confronted with a powerful and cohesive political force. In these states, interest lines, not geography, have determined the political activities of those interested in school matters.

The third category, "state-wide fragmented," resembles "state-wide monolithic" in some ways, except the education interests often have approached the legislature not consensually but in conflict. Iannaccone's fourth type of linkage structure is "state-wide syndical." It is characterized by consensual approaches to education problems.

Changing Linkage Patterns

The rapid growth of teacher militancy and state-sanctioned negotiations has quickly and radically altered patterns of education decision making. Iannaccone predicted that the transition from a type II to a type III pattern might characterize many states. In just a few years since his analysis, many states have moved from "state-wide monolithic" and even from "locally-based disparate" to "state-wide fragmented" structures.

Using Iannaccone's typology, Aufderheide's study of 12 states bears out the contention that type III linkage patterns have become more and more common. Nine of the 12 states he studied reflected to some extent the fragmentation which Iannaccone's typology accurately identified (Aufderheide, 1973, p. 199). This trend towards the type III pattern indicates a very significant shift in the behavioral norms and political stratagems of educators. The assumption that divisiveness weakens the pro-school interests' influence has been questioned. Masters and his associates, for example, found that despite the existence of pervasive partisan conflicts and splits within education circles in some states, expenditure levels were relatively higher for education and other public services than they were in states where consensual political styles prevailed (Masters, Salisbury and Eliot, 1964).

The Future of State Education Coalitions

Radical realignments may be necessary in order to insure the future vitality of state education coalitions. Fragmentation, due to several factors, has weakened many coalitions, blunting their effectiveness in proposing and implementing significant education reform.

Redirection of teachers' association goals, a growing split between the teachers groups and organizations representing school boards and administrators, and the problems caused by urban decay have raised doubts about the ability of education coalitions to continue functioning in their traditional way.

Growing teacher militancy has forced teachers' associations to focus more and more specifically on salary and welfare benefits for their members, redirecting their attention to local organization and issues. Arvid Burke has said that the state education associations affiliated with the National Education Association were "attacked" by the unions "where they were the weakest — at the local level" (1966). Local associations, which frequently did not have the same primary interests as their state organizations, were most heavily involved in professional negotiations which were focused on the conditions of local employment.

Rising teacher militancy has weakened the traditional coalitions in another way. In an increasing number of states, open schism has developed between superintendents' and teachers' organizations at the state level. Although there are some states where the teachers' association has remained unified with school administrators, the position of many associations is that chief school administrators have responsibilities and objectives that properly segregate them from classroom teachers. Superintendents, and in some cases principals, no longer hold leadership positions, voluntarily or by coercion, in teachers' organizations and state education associations.

The post World War II growth of suburban areas has not been adequately represented in the structure of most state coalitions. The traditional leadership of many education coalitions was attuned to the political style of rurally-dominated legislatures.

The increasing pressure of urban school systems for special state support to meet their unusual education needs has placed further strain on the traditional unity of education coalitions. Coalitions may want all districts treated as comparably as possible to avoid competition or conflict among various school systems for fiscal support. Salisbury has pointed out that "unity among schoolmen is frequently a considerable handicap for big-city school interests, particularly in their efforts to get increased state aid" (1967).

In addition, state departments of education have played increasingly important roles in determining the implementation of complex legislation concerning education.

Educators and the general public may have suffered because of the former invisibility of education politics:

> In some states and regions the failure to understand political realities has resulted in a general inability of those interested in education to cope with problems of adequate public support. In other cases, because of the low visibility of educational politics, astute manipulators and single-track reformers have been able to achieve for segments of education advantages which should have been achieved only for education as a whole.... Invisible politics is rarely good politics ... (Bailey, 1967, pp. i-x).

Legislators and other officials no longer avoid direct involvement in school politics. Education policy has been opened up and changed due to a number of factors besides rising teacher militancy: reapportionment, ideological commitment to change by civil rights groups, right and left wing interests and minorities; the growing interest of arts and science professors and others in the intellectual community in public education; the activity of foundations; and the escalating interest of the private sector and business world in education (Iannaccone, 1967, pp. 101-105).

Governors, executive branch staff members and legislators, not educators, have begun to play the pivotal roles in providing the basic information which ultimately shapes school legislation (Jennings and Millstein, 1971). The case studies of school finance reform in this booklet substantiate the thesis that education politics is no longer limited to schoolmen and their interest groups but has become, in fact, an inextricable and central component in the state's overall political picture. The nation has, indeed, moved into a new era of state education politics in which education policy making cannot be considered separately from general factors. Education coalition building clearly reflects this emerging trend.

III. The Problem: Inequity and Inefficiency in School Funding

The new era of state education politics is best demonstrated by the reform movement in state government during the 1970s. This has been characterized by major policy changes at a very rapid rate. In the 1973 legislative sessions, for example, over 30 governors asked for significant state tax reform, and 21 governors asked for school finance reform. During the 1973-74 legislative session, important school finance measures were passed in Florida, Colorado, Minnesota, Illinois, Maine, Montana, Kansas, Utah, California, Michigan, Connecticut and New Mexico. These changes were not merely patchwork improvements; they were fundamental overhauls promising substantially increased resources for hard-pressed school systems and more equitable tax systems. These reforms were supported by new coalitions and nurtured in revitalized state political institutions described earlier.

The Context of Reform: Fiscal Pressure Rises

General recognition of an education fiscal crisis was slow to come until the late 1960s. To some extent, it was probably the very bulk of the education enterprise that had hidden its problems from public view. How, the public asked, could education be in such precarious fiscal condition when it had received the largest proportion of public support of all domestic government services, more than twice as high a percentage as either highways or public welfare; when state and local governments devoted nearly 35 percent of their expenditures to education; or when two and a half million people, nearly one quarter of all public employees (federal, state and local) were classroom teachers?

Yet the signs were unmistakable that the squeeze between rising costs and lagging education revenues would finally catch up with many public elementary and secondary schools. Overall growth in expenditures, for example, had outrun the growth in the economy as a whole; during the decade 1960-70, education averaged a 10.3 percent annual growth in expenditures while the Gross National Product had averaged just under 7 percent annual increase. Finding the revenues to cover these expenditures required increasingly more effort on the part of taxpayers. In 1961, state and local revenues averaged 4 percent of total personal income. In 1971-72, the comparable figure was 5.4 percent. As a result of these trends, rates of

expenditure increase were no longer automatically matched by concomitant growth in revenue (National Education Association, 1971 and 1972; and U.S. Office of Education, 1970).

Local Taxpayers' Revolt

Increased resistance to school support and its results have been evident at each level of government, but the taxpayers' revolt became particularly acute at the local level at the end of the sixties (New York State Department of Education, 1971) and seemed to be reemerging at the end of the seventies. Examples abound. In California, 30 districts went bankrupt (and required state loans to continue operating) and 70 percent of the proposed increases in school taxes were rejected by voters in 1970. During 1971 in Michigan, 20 of 25 requests for higher property taxes were rejected and 36 of 91 requests to continue current rates also failed to pass. New York reached its all-time high of 120 local budget defeats. These actions had a serious impact on school programs. In Michigan, 4,480 teachers and 248 administrators were notified that they would not be rehired in the fall of 1971.

There are structural factors that have contributed to the fiscal problems at the school district level. First, referenda on school budgets and bond issues made education questions among the few opportunities voters have to register, explicitly and directly, their dislike of higher taxes. According to the Investment Bankers Association, voters in 1960 rejected 11 percent of the school bond issues put before them; in 1965 the rejection rate was 33 percent; in 1970 the rate had rocketed to 52 percent.

Another problem was the property tax, a much debated vehicle for generating revenue. The most prominent criticism of the tax has been its regressivity. While there are some communities where the relationship between individual housing values and family income is fairly constant across all income classes, in most communities those with lower incomes must devote a higher proportion of their expenditures to housing than do those earning more. Thus, the tax on property has tended to take a higher percentage of income from those lower on the income scale. This regressive nature of the property tax is felt particularly by homeowners whose incomes are fixed or have risen more slowly than the average. Opposition to increasing expenditures, and concomitant taxes, is to be expected from those who bear the burden of payment.

The feature of the local property tax, however, that has contributed most to the fiscal crisis is the uneven distribution of amounts and types of property among school districts. To take a simplified, but not atypical example: a lower middle-income bedroom community

may house the workers of a factory situated in a neighboring school district. The higher property valuation of the factory, available for taxation in the district of its location, is unavailable to the community responsible for educating the children of its workers.

State Aid to Local School Districts

Historically, America's public school finance has been characterized by unequal education opportunity. Variations in property tax base per pupil have been immense. Ratios of four or five to one in the amount of property per pupil among neighboring school districts has not been at all unusual. The local property tax, therefore, has made it four or five times easier for some districts to raise a given amount of money from their own resources than it has been for others. While it is theoretically possible for the poorer districts to raise as much revenue as their more fortunate neighbors by taxing themselves at higher rates, what usually has occurred in practice is that the poorer districts have made a somewhat greater tax effort but have ended up with less revenue.

In itself the arbitrariness of the local property tax would be a serious problem. Exacerbating its defects is a distribution of taxable wealth that has been unrelated to the need for education services. Thus, communities with higher proportions of children from minority groups or impoverished homes — pupils who require expensive education resources — have tended to be in the poorer districts, which are less able to devote revenues to education (Guthrie et al., 1971; and Van Fleet and Boardman, 1971, pp. 293-317).

State aid, which prior to the reform impetus of the 1970s accounted for only 39 percent of total education revenues, did not remedy these inequities. Some formulas made no attempt to equalize disparities. In most cases, the total amount of state aid was simply insufficient. Even equalizing state aid formulas failed to offset disparities among districts. Two reasons are apparent. One, in school districts that were not highly urbanized and that did not have a large number of disadvantaged pupils, structural imperfections diluted the equalization effects of the aid formulas. Such imperfections have included "floors," which assured that all districts regardless of their wealth received some state aid; "ceilings," which prevented some of the poorest districts from receiving enough state aid to bring them to the average expenditure level; and "save harmless" provisions, which insured that no district would receive less than it did the previous year, regardless of the workings of the equalization formula.

Two, in large-city and other high-density districts, equalization has failed because state aid schemes typically have used measures of

community wealth and education need that were insensitive to the problems of intense urbanization. The results, therefore, were predictable: state aid formulas regularly have provided proportionately less aid to fiscally pressed urban areas than they have to suburban and rural areas.

The Role of the Courts

By 1970 a new force began to upset the equilibrium of patterns of education finance. Armed with the equal protection clause of the United States Constitution and the education clauses of state constitutions, judges in the state and federal courts of a number of states invalidated state systems for raising and distributing revenues to support the public schools. Coinciding with taxpayers' revolts against increased spending for education and the growing discontent of civil rights and community groups about inequities in existing allocation patterns, these decisions were applauded. Yet much of the enthusiasm for the decisions arose from wishful thinking about what the courts had done.

What has now become clear is that the courts provided only an opportunity, not an answer. Even Justice Sullivan's landmark opinion for the California Supreme Court in *Serrano v. Priest* (1971) said only that school finance systems "(should not) invidiously discriminate against the poor (by making) the quality of a child's education a function of the wealth of his parents and neighbors." How education resources should be allocated, however, was left for the legislature to determine, and the range of permissible alternatives was wide. With the United States Supreme Court's decision in the *Rodriguez* case in March 1973 (*San Antonio Independent School District v. Rodriguez*), a decision that overruled the use of the federal equal protection clause to bar inequitable state school finance systems, the role of state courts and legislatures was highlighted once again. The court decisions have, however, left their mark, influencing policy even in those states that had no actual court case but reacted in anticipation of a case in the future.*

The Role of the School Finance Reform Network

An additional impetus to reform in the seventies was the national network of school finance scholars, legal experts, citizen groups, foundation and governmental officials (Kirst, 1979; Kelly, 1978). The "network" includes representatives of major organizations such as the Education Commission of the States, the National Conference of State Legislatures, the Lawyers' Committee for Civil Rights

*For a review of school finance cases see Betsy Levin, 1977, and the Lawyers' Committee for Civil Rights Under Law, 1978.

Under Law, the League of Women Voters, the National Urban Coalition, the Advisory Committee on Intergovernmental Relations, the Childhood and Government Project at the University of California at Berkeley and research and training projects at Teachers College, Columbia University, and Stanford University. Grants from the Ford and Carnegie foundations and from NIE and USOE have supported the activities of these groups in their efforts to undertake research, to help plaintiffs and state officials seek more equitable financing arrangements, to train school administrators, and to disseminate information to policy makers.

In the late sixties, when reform-oriented scholars recognized that traditional political alignments at the state level made meaningful change unlikely, they recommended and supported litigation. If litigation was not appropriate, the reform group urged the creation of special state study commissions or used meetings of national organizations (ECS or NCSL) to discuss school finance issues. The reformers were outsiders, national figures who went from state to state. However, within each state they visited they worked directly with governors, legislators and citizens. The national network of reformers should be placed alongside the courts as an important stimulus to the reform process; its strength, expertise, skill and commitment kept the reform momentum going.

Fiscal Constraints to Reform

The reforms that have occurred in state school finance systems have been relatively costly. This is true for two simple reasons. First, it has not been politically feasible to implement purely redistributive formulas: teachers have contracts; wealthy districts have political power. Slicing the pie of education resources in a more equitable manner so the portions for the "haves" become smaller and those for the "have-nots" become larger occurs most easily if there is a larger pie slice. Thus, part of the cost of reform has been the "save harmless" provision that insures that those who would theoretically lose resources under pure state assumption or power equalizing formulas were guaranteed at least their current level of school spending. Second, there is the additional cost that is associated with bringing the expenditure for current "have-nots" up to a higher level: equalizing has meant leveling-up. The costs of leveling-up have been high.

In the typical state the achievement of that goal in education finance alone is a difficult enough task. But the competition for funds in state budgets has not been fought exclusively in terms of the existing system of school finance in a state or of the patterns by which new funds have been made available for education in the past. Rapidly escalating welfare costs, prison reform, new transportation

systems, health services, drug rehabilitation, and the like, all have needed new monies. As has always been the case, the resolution of competing demands has been a function of the political process within each of the 50 states. The case studies that follow were conducted during a period of surplus conditions for most state treasuries. Reform has come slower in recent years because of a downturn in national economic conditions.

IV. The First Wave of Reform

Introduction

In the early seventies several states reformed their school financing systems. Still others addressed the problem and wrestled with such difficult political dilemmas as the necessity to raise state taxes. All successful reform efforts occurred through legislative action. There were some attempts in these years to bypass the legislature and to appeal directly to the people through referenda. Groups and individuals in a number of states sought to limit local property taxes for school uses (Shalala, Williams and Fishel, 1973, pp. 10-13). The attempts to achieve reform by constitutional amendment all failed for several reasons: they were complex and confusing, voters were unable to predict for themselves the eventual outcome of a change in fiscal policy, and they were overwhelmed by the debates on the revenue and tax burden impacts of the proposed changes. Rather than venture into the unknown, they stayed with the status quo, even though they were not particularly happy with it.

The following case studies deal primarily with legislative politics. They illustrate clearly that, whether or not reform succeeded, the politics of school finance reform was marked by substantial interest and activity on the part of general government. School financing was no longer the sole province of the education interests.

Politics of School Finance Reform in Maine

Shortly before 10 a.m. on Friday, June 22, 1973, Democratic Governor Kenneth M. Curtis thrust out his hand to Republican State Senator Bennett D. Katz, and said with a grin, "It's great! Great! At last, we got it!" A few minutes later, the governor signed LD 1994, "an act equalizing the financial support for school units," and Maine officially enacted one of the most far-reaching school finance reform laws in the nation.

The inherent inequities of traditional school funding schemes in Maine begged for reform. Maine's problems were familiar. With the local property tax as the primary revenue source and little state equalization funding, the uneven distribution of economic wealth resulted in marked disparities in education funding across the state. Poor rural areas with subsistence economic activity, and older

urban areas like Portland and Lewiston-Auburn, had markedly lower spending levels and higher tax rates than wealthy seacoast and lake vacation communities.

The variation in local property wealth in 1968-69 between the 5th and 95th percentile school districts was 4.2 to 1. Low state funding levels did little to alleviate those differences. In 1973, only one-third of education expenditures came from state funding.

Building a Coalition for Reform

Legal decisions in other states pointed the way to new finance proposals. After the *Serrano* decision in California in 1971, the Maine Education Council had directed its finance subcommittee to prepare a report on full state financing of public education in Maine in order to meet the objectives detailed in the recent court decisions. The report was presented to the Council in January 1972. The Maine group, which was composed of the governor, legislators and education policy makers, was effectively plugged into the national network of school finance reform through its affiliations with the Education Commission of the States and the National Education Finance Project. However, it had a growing base of support within the state as well.

Other groups in Maine had begun pressing for change. The Maine Municipal Association (MMA), a group of local government officials that maintained close and cordial nonpartisan relations with Maine's governors, strongly supported reform and played a central role in formulating the law and guiding it through the legislature.

John Salisbury, executive director, believed revision of the school finance laws was the most promising path toward MMA's long-term goal of a more balanced state revenue system. Salisbury expected the tax burden on local property to ease with education finance reform. He viewed reform as providing the possibility to control growth in education expenditures and to shift a higher proportion of school revenue to state tax sources. The MMA was also committed to the principle of bloc grant funding, and revision of school finance in the state offered the opportunity of unifying separate school aid provisions into an all-inclusive measure. Provisions for including categorical programs for transportation, special education and construction under the general equalization provision, which became part of LD 1994, were a requirement of MMA support of school finance reform.

Another proponent of reform was the Maine School Management Association (MSMA), which represented school board members and

school superintendents. Its executive director, former state representative Sawin Millett Jr., was instrumental in formulating the law's provisions. The former Maine Education Association had split into two organizations, MSMA and the Maine Teachers Association (MTA), several years earlier, over the issue of salary negotiations. Since then, MSMA had handled general school policy development. However, the teachers' association clearly favored reform, but kept its campaign out of the public eye to avoid the accusation that the teachers favored the measure out of self interest, thus weakening public support for the bill.

The Maine Department of Education helped initiate and strongly supported reform. In the fall of 1972, Commissioner Carroll McGary proposed "road shows" to inform the public about education reform. Five public meetings were held in different parts of the state. Millett of MSMA discussed the problems of the existent system of education finance; Salisbury of MMA explained the meaning of an effectively balanced tax system, and Asa Gordon, education department deputy commissioner, presented the proposal for reforming school finance. Commissioner McGary was chairman of the meetings.

All this background work set the stage for the 1973 legislature. Interlocking appointments strengthened the coalition for reform. Gordon and Millett served on the Maine Education Council subcommittee that developed the finance proposal; Governor Curtis, State Senator Katz and Commissioner McGary served on the full 14-member Maine Education Council.

The 1973 Legislative Session

Early prospects for success. When the 106th legislature convened in January 1973, a combination of factors brightened prospects for the passage of school finance reform. First, Governor Curtis emphasized the issue in his mid-January budget message, apparently bolstered by the Maine Education Council and by separate reviews of the state financial structure. The next day the *Portland Press Herald Examiner,* Maine's largest circulation newspaper, as if adding its consent, carried a story headlined, "Reaction Favorable to Curtis Proposal." Reform proponent John Menario, Portland city manager and chairman of the Maine Municipal Association revenue and finance committee, was quoted extensively.

Second, State Senator Bennett D. Katz, impelled by his concern for improving the quality of education in Maine, decided to press for passage of a major school finance measure. It was his fourth term as joint education committee chairman. With the cooperation of House Speaker Richard Hewes, Katz picked a committee composed of what

he considered able and effective legislators interested in reform, with sufficient conservative representation to make it a credible and effective force in the legislative battles to come.

Third, the threat of a U.S. Supreme Court decision mandating school finance reform hung over the heads of legislators as a ruling in the *Rodriguez* case was expected in the spring.

Fourth, property tax relief was a strong issue. Many legislators had compaigned and won on a platform of tax relief in November, and in January that proved to be the vehicle that brought school finance reform safely home.

Finally, early in the session the joint appropriations committee greased the skids for eventual passage of LD 1994 by earmarking all federal general revenue-sharing money for education, although not necessarily education finance reform. The Republican leadership wanted to deny the governor control over allocation of the federal funds, and keep tabs on the money by not dividing it among a number of governmental functions. When the school finance bill was unveiled, the first year start-up costs of the new program were precisely equal to the amount earmarked for education from general federal revenue-sharing funds. Ironically, the appropriations committee chairman, who had urged the earmark for education at the start of the session, fought vigorously but unsuccessfully against using the new federal money for the property tax relief/school finance reform package at the end of the session.

Mid-session doldrums. The early flurry of interest quickly waned. The joint education committee received four bills, each one a potential vehicle for finance reform and tax relief, but the issue faded rapidly from legislative attention.

Partisan problems stymied progress. Republican leaders opposed reform, partly because tax relief and school finance reform were identified with Democratic Governor Curtis.

Shrewd legislators recognized the dangers of a partisan approach. "The Governor is not married to his particular proposal," said John L. Martin, minority leader of the house, when the governor's measure was introduced in late March. "We have to keep this effort bipartisan. If it gets partisan it will mean the end of property tax reform."

However, Majority Leader Larry E. Simpson said the GOP-controlled legislature would back only a "responsible" package, and that there was little likelihood that a suitable package could be

worked out before the session adjourned. "Where will the money come from to pay for these property tax decreases?" he asked. Simpson also claimed after the U. S. Supreme Court handed down the *Rodriguez* decision in March 1973, that the Court "has taken the burden off legislatures around the country ... we are out of education now, and maybe we should look at other means for reducing property taxes."

First, the reform proposal suffered from partisan identification with the Democratic governor. Second, came the unfavorable *Rodriguez* decision. Then, even the fates and the elements appeared to conspire to defeat the reform bill. On April 10th, when the education committee held public hearings on the four bills before it, an ice storm, severe even for Maine, brought the state to a near standstill. Even more chilling was the death the previous day of a popular legislator, which cast a pall over the proceedings. At the sparsely-attended hearing, the opponents of the bill stole what show there was.

As the hearing concluded, Senator Katz, usually ebullient, announced: "The chances for tax reform passage this year are something less than zero unless there's a demonstrated public demand for it."

Reviving school finance reform/property tax relief. Even in Maine, dawn follows the dark of night. Groups active in originating the legislation began developing a new strategy to revitalize it. In early April, word leaked out that the Maine Municipal Association and the Maine Teachers Association, discouraged by legislative lack of interest, were considering an attempt to force the hand of the legislature by circulating popular initiative petitions to compel enactment of legislation. A similar move had been successful the previous year in forcing enactment of income tax legislation.

Immediately after the committee hearings, a small group, including representatives of the Maine Teachers Association, the Maine Municipal Association, and the Maine School Management Association, met with State Senator Katz to discuss how to pass the reform. Senator Katz suggested that, since many assumed the finance measure was dead, his education committee could adopt a low-profile strategy, develop an acceptable measure, and quietly win rank and file legislative support. Legislative leaders, convinced the measure was dead for the session, would be looking the other way.

The Democratic governor's voice became quieter. Insiders say that a less experienced or less savvy governor would have gone hell-bent for passage and thus would have insured defeat in the Republican-dominated legislature.

The teachers' association carefully remained out of the limelight so the issue would not be seen as a teachers' attempt to raise education costs. Behind the scenes, the association redoubled its efforts to win public support and to stimulate letters to legislators from its own constituency.

Publicly, the campaign came alive promptly on May 1. People for Reform of the Maine Property Tax (PROMPT) was a short-lived coalition group, essentially a news conference phenomenon, but it signaled that the school finance reform issue was still alive and boosted the morale of its proponents.

Long-standing reform supporters John Salisbury and Sawin Millett Jr., were joined in organizing PROMPT by Lawrence Bagley of the Maine Retired Teachers Association and Sylvia Lund, chairperson of the State Board of Education.

The development and launching of the Joint Education Committee Bill. After the ill-fated April 10th hearing, the education committee considered the four proposals before it and hammered out a single bipartisan measure. The committee leaned heavily on Asa Gordon, John Salisbury and Sawin Millett Jr., for advice.

Not every committee member was committed to reform at the outset, but by the time the bill was ready, all 13 strongly supported it. Their carefully organized and highly effective internal lobbying with fellow legislators subsequently played a major part in securing final passage of the bill.

At the end of May, the committee went public. At a news conference, the committee chairman, Senator Katz, unveiled the plan to increase the state share of school costs from about 33 percent in 1973 to 60 percent in 1976-77. No new taxes would be required initially, since accumulated federal revenue-sharing funds would pay the first-year cost of the program. Outlined in the proposed program were many provisions which were to become law, notably: a statewide uniform tax rate; a guarantee of the average statewide per pupil costs; a provision for local leeway; and redistribution to the state, and ultimately to poorer school districts, of excess revenues generated by high valuation districts.

Successful strategy: information, parliamentary maneuver, compromise. By the end of May the votes for passage were in hand. The bipartisan education committee and the Democratic leaders evolved a careful end-of-term strategy. They kept fellow legislators informed of the bill's benefits. They used parliamentary tactics skillfully. And, they made last minute compromises with skeptical and power-

ful opponents. The committee prevailed, teamed with a block of the governor's democratic supporters in the house.

During the first week of June, the proposed bill was explained at a caucus and a computer printout was distributed, detailing the benefits in tax relief and in higher state aid that would go to the districts of most legislators in the house.

On June 4 the bill survived its first test. By a vote of 81 to 62, the house defeated a motion for indefinite postponement. Voting to kill (a yea vote for postponement) were 37 Republicans and 25 Democrats. Voting in favor of the legislation (a no vote for postponement) were 39 Republicans and 42 Democrats.

Sweet reason was not the only tactic used. Legislative muscle worked as well. Picking out the most vulnerable point in the legislative agenda, Katz told reporters that he would withhold his support for the budget until he got some clear indication of what his party's leadership was going to do about property tax reform.

With that, the gloves came off. The fight increased in intensity. LD 1994 became "the Katz Bill" to many. Loyal Republicans seemed to be out to "get" Katz.

There were attempts to let the bill die. And another roadblock was thrown in the path to passage by Appropriations Committee Chairman Joseph Sewall, who suggested using federal revenue-sharing general funds for state capital construction rather than education, as the legislature had already decided.

Fortunately, a final compromise recognized the hopes of the bill's proponents as well as the fiscal caution of opponents. The bill's general statements of intent said the state share would be "60 percent of the total cost of education ... (and) the legislature intends to implement the program over a three-year period — 50 percent state, 50 percent local in 1974-75 and *thereafter*" (emphasis supplied). The measure originally was much more specific about approaching a 60 percent level.

Counting the votes. The skids had been greased. The roadblocks had been cleared. When the final vote on LD 1994 came on June 21, it ran through both the house and senate easily.

The house debated the proposal for two hours and defeated a last-minute motion for indefinite postponement, 81-62, the same margin that had defeated the similar motion on June 4. The senate approved it after only brief exchanges of partisan congratulations and recriminations.

Governor Curtis wasted no time signing the new bill in a brief ceremony at 9:45 a.m. on June 22, attended by 16 legislators who had pushed through the landmark law.

The measure combined some of the nation's most progressive school finance reform principles into a single package. It provided for full state assumption of basic education expenditures, power equalization of local fiscal tax effort in providing funds beyond the basic level, and inclusion of construction, debt and categorical programs under equalization principles.

Post-1974: Retrenchment from Reform

Passing LD 1994 was just the beginning. A special session of the legislature that met in early 1974 repulsed attempts to dismantle the school finance law. It did, however, refine, adjust and solidify the law's basic provisions while enacting special amendments for districts facing unusually high tax increases.

Most importantly, the legislature reworked sections of the law detailing millage levies in order to appease communities particularly hard hit by the changes. For districts that would raise their taxes the maximum 2½ mills and still be below the 14-mill statewide level, an amendment was passed which specified that the recapture provision would not apply to any "local leeway" add-on funds levied to increase education revenues. This amendment placated citizens in high spending communities who balked at levying "local leeway" funds to maintain their previous level of spending for education, while facing compulsory tax increases to fill state coffers.

The property-rich districts still chafed at the law's impact on them, however. Nearly 50 of these districts, most of them seacoast or lakeside vacation areas or districts with valuable and "tax-proof" industries, hired a prestigious Portland law firm to lobby their cause with the legislature. Nonetheless, their overtures were rebuffed.

Representative Ransom Kelly introduced a bill to repeal the law altogether. Then, House Majority Leader Simpson introduced a proposal that would have changed the equalization provisions of LD 1994 for the wealthiest districts by removing the recapture provision that made them pay into the state pool for support of education in poorer districts. This, too, was badly beaten, with less than 30 votes supporting it.

The proponents' success in warding off attacks on the 1973 law at the 1974 special session can be credited to both the tradition that considers it improper for a special session to undo the work of a regu-

lar session on a major legislative issue and, second, to the persuasive arguments researched and compiled by the education committee and its staff.

However, in succeeding years, the reform's impact was weakened. Recapture provisions were essentially fully in effect for only one year, 1975-76. In December 1977, the people of Maine voted down the uniform property tax, ending recapture. The equalization formula was funded from state surplus revenues, but the recapture aspect of reform which made Maine so unique was gone.

Summary

The basic outline of Maine's school finance reform law had originated in the report of the Maine Education Council. Additional features were developed by interest groups and public officials during the summer and fall preceding the opening of the 1973 legislative session. Early in the session, the joint education committee picked and chose among alternatives to assemble the provisions that were to become LD 1994. Amendments to that basic measure were made, first to achieve passage in both houses in June of 1973, and later at a special session in 1974 to ease the anticipated bite of the new law for districts below the required tax rates or above supported expenditure levels.

The result of this process of policy development was a new system for raising and distributing education revenues which substantially increased the state share of school funding and reduced the range in tax rates and school expenditure levels around the state.

Politics of School Finance Reform in Florida

In early June 1973, Florida's legislature overwhelmingly approved an education finance reform bill with the support of the governor, the department of education and most education interest groups. The groundwork for the Florida legislation had been laid by a history of concern for equalized funding for education and a tradition of appointed citizens' committees to study school system problems. The recommendations of a citizens' committee, named by Governor Reubin Askew in 1971, provided the basic substance of the recommendations that became the school finance law of 1973.

Florida's greatest inequities in the distribution of education resources were rooted in her rapid population growth, and in the failure of political agencies to keep pace with demographic changes. The growth had been uneven, however, as southern counties saw their population increase rapidly, while some counties in the north declined in numbers.

In addition to the burden of the heavy population influx, Florida also was characterized by the traditional problems of tax base disparities, even though these were alleviated to some extent by having school districts coterminous with county lines. Both urban and suburban ring properties are included, then, in school districts, but there still exist significant wealth disparities among districts in different regions of the state.

Developing a Coalition

The ultimate success of the Florida school finance reform of 1973 began with the gradual creation of a favorable political climate. Growing discontent among legislators with the complexity of the then existent Minimum Foundation Program and a background of progressive change in state aid to education helped smooth the way for reform. The state started the 1972-73 fiscal year with an already sophisticated school finance program that included a high level of state support, relative to average expenditure levels, a ceiling on unequalized local effort at 10 mills, equalization at 6 mills of local support and increased support for high cost programs in vocational and exceptional child education.

The tradition of governor-appointed citizens' committees dated back to Millard Caldwell's 1945 commission to study Florida schools, which helped formulate Florida's Minimum Foundation Program in 1947. The foundation program was still in effect when the citizens' committees appointed by Governor Claude Kirk in 1967 and Governor Reubin Askew in 1971 recommended its abandonment. Governor Askew's committee, appointed soon after he took office in 1971, and after consultation with his education advisor, William Malloy, consisted of a cross-section of citizens and legislators, authorized to report their findings to him over a two-year period.

The committee was funded at $50,000 by the legislature for its first year, an amount deemed insufficient by the governor. The chief executive and some legislators lobbied for additional monies, and legislative funding doubled in the second year. In addition, a grant was given by the Ford Foundation, permitting the hiring of education finance experts, Michael Kirst of Stanford and Walter Garms of the University of Rochester, as consultants. The blue chip credentials of the committee members added prestige and political clout to their studies and final report. The group included, for example, several influential state legislators, representatives of major industrial and business organizations, the president of the League of Women Voters, the executive secretary of the NAACP and several prominent newspaper executives. Bob Graham, now governor of Florida, was a member of the group.

On Jan. 22, 1973 the committee's recommendations, calling for a complete overhaul of Florida's Aid to Education Program, were made public. The minimum price tag placed on reform was $240 million, and included full assumption of all school construction and transportation costs and greater equalized spending on a per student basis, regardless of the wealth of a student's county of residence. Committee Chairman Fred Schultz, previously speaker of the House of Representatives, called the proposed reform "a system of complete equity in funding." The legislature approved most of the basic committee recommendations.

Education interest groups, however, had not been involved in a major way in the development of the reform bill, and they likewise played only a small part in pushing for its passage. One scholar commented on their general lack of power in the legislative arena after studying the 1970-72 legislature: "When percentage of enactment of education bills was considered, 'educational interest groups,' whether local, county or statewide had little success as a source group in getting education bills enacted into law."

All education interests did eventually support the bill, but for varying reasons. The Florida Educational Association and other teacher groups supported the bill in exchange for a commitment from the governor and the legislature on collective bargaining legislation. A collective bargaining bill was finally passed in the house, but it died in the senate. The Florida School Board Association supported the bill based on a consensus that the law would delegate greater control to local boards. The Superintendents Association was wary at first, but supported the bill by the time it reached the joint conference committee.

A far more dynamic role was played by the department of education, headed by Commissioner Ralph Turlington. Lukewarm at first to reform proposals, the department eventually developed the technical guidelines for the bill, and strengthened the bill's chances for passage with the department's support, coordination and expertise. Original hostility toward the reform plan was based on the department's opposition to immediate implementation of the changes. Department members wanted implementation delayed for one or two years in order to better prepare for monitoring of the plan. However, when it became clear that there would be no delay, the department of education accepted its technical assignment and became an active behind-the-scenes proponent.

The 1973 Legislative Session

The fight for school finance reform soon boiled down to factional splits between counties that would gain and counties that would lose under the reform. The Citizens Education Committee unveiled its

report, the result of two years of study, which called for a complete overhaul of Florida's aid to education program, including full state assumption of all school construction costs and debts.

The property tax assessment controversy, which had been raging for several years, and a general mood for education finance reform stemming from deteriorating conditions in the state's schools since the late 1960s, made school finance reform itself a noncontroversial issue by the time it reached the 1973 legislature. Since education absorbed 53.9 percent of the state revenues in fiscal year 1973 and, entering the legislative session, the state boasted a $300 million budget surplus, the difficulty came with deciding how education reform would be implemented and which districts would lose and which would gain financial aid. Intra-legislature infighting about legislative priorities slowed down the reform slightly — the house placed primary emphasis on passing school finance equalization; the senate was more concerned with other issues, especially social and rehabilitative services.

Reform plans glided down the path of change easily in the beginning, as the Askew Commission's report, transformed into a legislative bill, passed the house education committee the last week in March. It was also being considered by the senate.

Then, the Florida Supreme Court dealt a nearly-fatal blow to proponents' hopes for reform. The court ruled that the legislature could not withhold state school funds in an effort to force county tax assessors to appraise property at its fair market value. A legislatively-sponsored tax ratio study directed the auditor general to compare individual county assessment levels with state averages. The study was then used to withhold state funds from districts where assessors failed to appraise property at fair market value and, in addition, to grant bonus payments to counties whose levels surpassed those of the ratio study. It meant that 33 counties were deprived of aid worth about $20 million, including over $958,000 in Orange County alone.

Seven of the counties penalized by the plan contested, claiming that the study was improperly done and was illegal and unfair to school children because it took away state dollars in mid-year the local units could not immediately recover through taxes. The court ruled that the plan usurped the prerogatives of local tax assessors and then ordered the legislature to make up the $20 million in unpaid school funds.

This blow to the legislature's efforts to enforce full value assessment and, ultimately, more equitable taxation as forerunners of school finance reform was greeted with hostility and anger by many legis-

lators, including those in the front lines pushing for school finance reform.

House Speaker Terrell Sessums, joined by Senate President Mallory Horne, then took the initiative. Claiming that the court decision had precipitated a "constitutional crisis" over tax assessments and school finance, Sessums and Horne stopped all floor debate and action on pending bills for a week, halted budget preparation and appointed special committees to come up with suggestions for school finance and property tax assessment in the face of the court decision. The halt in the legislative process was the first since a 1967 court ruling overturned legislative apportionment.

Sessums had one more ace up his sleeve. He set an April 30 deadline for the committees' proposals to insure "fair assessment," and threatened an "austerity budget" for all state services — frozen at the previous year's spending levels — if solutions to the education finance crisis were not found. The "austerity budget" Sessums recommended would hold the line on all pay increases, new positions, new programs and new expenditures until "the day fair assessment is guaranteed or the auditor general reports that all counties are fairly and equally assessed in compliance with the Constitution." Excess state revenue would be put in trust and spent by a special session when the assessment conditions were met.

Trying to find alternatives. The legislature spent the next week frantically studying the wide range of solutions to the "crises" that were proposed. The special, appointed committee considered some form of state assumption of all or most education costs, no funding of the $20 million "deficit" held back from 33 counties, and a search to tie school finance equalization to fair property tax assessment. Senate President Pro Tem Louis de la Parte charged that the suggestion of state assumption of school costs was "premature" and that greater equalization should be the legislative goal. The special committees also sent out other "trial balloons," for example, a rollback of property taxes for use in funding education with the substitution of a personal income tax or an increased state sales tax. This proposal, which implied nearly full state funding of education, was quickly shelved.

Despite the multitude of suggestions advanced, the select committee on April 12 remained deadlocked over a solution to the school funding crisis. They did not like Speaker Sessums' "hold the line" budget plan; Sessums, backed by the governor, rejected a committee proposal for a 2.5 percent state income tax, which would require a state constitutional amendment. The committees did agree in theory on maintaining the principle of dispensing school aid in proportion to local county tax yields so that property-poor districts would get

greater assistance. They also favored a strengthening of the power of the executive to force county tax assessors to base their judgment on full market value. The point had been made that school bills were the legislature's first priority. When the lawmakers returned from the one-week freeze on floor action, their attention was focused on three interrelated measures: a tax assessment reform bill, a bill to revamp the school funding formula (with the most fundamental change being a shift from classroom units to weighted pupil units), and a construction and capital costs assumption measure.

Maneuvering school finance reform through the legislature. By April 22, a tax assessment reform bill had cleared committee in the house and floor action was scheduled on other education bills. Legislative leaders then delayed floor action on the school funding formula bill in order to wait for a computer printout of its effects on a county-by-county basis. To their horror, they discovered that its costs would be about $300 million above then current spending levels. The cost-of-living component of the bill, which would channel $27 million in additional aid to Dade, Broward and Palm Beach counties had created an unlikely coalition of liberal Democrats from Dade and conservative Republicans from Palm Beach and Broward counties. Askew's Citizens Committee's mechanism for inflating state aid for southern counties that had much higher labor and land costs than the rural north also aroused controversy. Representatives from the southern counties caucused to oppose pending amendments to eliminate the cost-of-living factor, which they feared would be passed by a coalition of Hillsborough and Duval County legislators as well as legislators who opposed the entire concept of the school financing bill. During this same week, the state supreme court was asked to rehear the tax assessment ratio study case. Nonetheless, the wait proved palliative. Growing resentments among various legislative delegations had a chance to cool down.

The house finance bill was revised, authorizing at least $202 million in additional aid to schools for the next fiscal year. Urban areas, mollified by the urban differential costs provision, compromised on nearly every other issue. After 6½ hours of debate and votes on nearly 100 amendments, the bill passed the house, 101-19. Pinellas County, victim of the tax assessment ratio study, and also a loser under the new finance plan, cast 9 of the 19 dissenting votes.

Senate action and final passage. As the house moved on to consider the total state budget for the coming fiscal year, the senate lingered over school finance legislation and a dispute between the house and senate was brewing over spending priorities.

"It'll be something of an education versus social services battle when we sit down at the conference table," said Representative Harris

about the differences in the house and senate budget versions. The house voted 85 to 34 on May 24 to approve a $2.275 billion general revenue budget swollen with education expenditures, while the senate approved a $2.265 billion budget emphasizing social services.

Passed on a 34-2 vote, the reform legislation, like the house version, replaced the Minimum Foundation Program with a Full-Time Equivalency (FTE) plan that funded each school district based on the number of students enrolled. The senate bill set the FTE statewide per pupil average dollar figure at $552; the house had authorized $600. Both bills weighted primary education more heavily, but used different weighting factors.

The bill also included a cost-of-living consideration for certain urban counties as well as full equalization of education expenditures. Counties with high relative enrollments but low property tax bases would receive additional money.

The conference committee resolves differences. With the threat of an extended session hanging overhead, the joint conference committee tried to work quickly to iron out differences in the two versions of the school finance bill.

By June 5 the committee had reached a tentative compromise on the house and senate bill disparities — agreeing to $830 million for education. The figure was $63 million below the house's allocation, but $50 million more than the senate wanted. It was a $100 million increase over existent spending levels. Tax relief had dropped out of the reform package, but school construction support remained a sticking point. Senators favored a $54.5 million annual allocation towards state takeover of building costs with the money drawn from federal revenue sharing, as recommended by the governor. The house favored an additional $45.6 million to be added into the first-year totals, to come out of the state's budget surplus. Later the same day, the committee compromised to amend the differences, approving $90 million for classroom construction, creating a total education package of $920 million.

Final passage came quickly. The house approved the joint committee report 94 to 7; the senate passed it 31 to 2.

The new school finance legislation. This school finance law did not greatly increase the state's share of education expenditures, but did make significant strides in the direction of greater equalization of school expenditures among districts. The disparities were reduced largely as a result of the higher level of the foundation, combined

with the effects of a major reassessment of all property through standardized administration of assessment procedures.

The new program called for a 9 percent increase in the state share the first year, 1973-74, to 63 percent of education expenditures. The major provisions of the new Florida school finance package included: (1) a guarantee of $580 per weighted full-time equivalent student for a local tax levy of 5.5 mills, rising to 7 mills in 1974-75; (2) equalization of the 8th, 9th and 10th mills at seven percent of the basic student cost, or $40.60 per mill; (3) extensive use of weighting students by categories to replace some of the previous categorical programs; and (4) a cost-of-living adjustment that benefited urban Dade, Palm Beach and Broward counties and did not affect or reduce basic student cost payment in the other 64 counties.

Summary

The Florida case demonstrates a number of the major state political trends discussed earlier. The legislature and governor were the prime catalysts and decision makers. Indeed, the crucial importance of political leadership should not be underestimated. The education interest groups were splintered and not very effective. The teacher organizations were being reorganized and changing their leadership. A court suit concerning tax assessment practices and a large state budget surplus provided an extremely favorable context. Federal revenue sharing arrived at a propitious moment.

Governor Askew's Citizens Committee, through both legislative appropriations and outside funding sources provided the technical resources and analysis to devise new approaches. The bill was fashioned through various side payments to encompass a winning coalition. The governor and legislative leadership worked well together. School districts with low assessed value received equalization payments, some urban areas with high assessed value received cost-of-living adjustments, various special interest groups were pleased with the pupil weights and all school districts were relieved to see the state assume expenditures related to school construction. There was no need to raise state taxes as the money from a tourist boom poured into the state treasury. Local school officials recognized the dismal outlook for locally-voted property taxes and reconciled themselves to state assumption of future increases in school costs. After watching comprehensively the activities of the governor's Citizens Committee and their out-of-state experts, the state department of education supported change as the legislative process began to pick up steam. In short, the Florida school finance bill was the right approach at the right time.

Politics of School Finance Reform in New Mexico

In New Mexico as in many other states, external factors such as court cases, reform success elsewhere, and federally-sponsored conferences and research helped raise the consciousness of key individuals within the state who then sparked the move for reform. Internal factors conducive to reform were the existence of a growing state surplus, a history of finance studies and reform attempts, the use of a governor's advisory committee, gubernatorial endorsement, active legislative involvement, major cooperation between the executive and legislative branches, and major changes in the political composition of the legislature brought about by reapportionment. The biggest stumbling block was disagreement over allowing federal P.L. 874 funds to the Los Alamos district to be excluded from consideration in the distribution of state money. In *Los Alamos School Board v. Wugalter* the United States Court of Appeals held that the State of New Mexico could apply a different funding formula to the Los Alamos school district in order to equalize the funding of all districts in the state. This decision was denied a petition for review by the United States Supreme Court. Given the legal rights to consider P.L. 874 funds in the distribution of state aid, resolution of the problem was completed by holding harmless the total revenue of the district, but not substituting state funds for federal funds.

New Mexico's search for reform in 1974 was facilitated by the already high level of state support in the state. Local property taxes accounted for most education revenue only until 1933 when depression conditions led to passage of the constitutional amendment decreasing the limit on local property taxes from 40.5 to 20 mills. The measure reduced tax revenue for education, and in 1934 other state taxes were funneled into education, bringing the state percentage of education revenues to over 75 percent.

Developing a Coalition

Governor Bruce King signaled the start of the school finance reform effort in his Jan. 15, 1973 address to the first session of the 31st legislature, indicating that he had assigned the task of studying formula changes to Harry Wugalter, chief of the public school finance division, and the superintendent of public instruction who would maintain communications with the Legislative School Study Committee (LSSC). There had been widespread criticism of the funding formula, motivated by a variety of factors. Some were concerned about inequities in the formula; others hoped that a new formula would bring a major appropriations increase.

King appointed a Governor's Advisory Committee (GAC). It met through December, and included representatives of all education interests as well as the legislative school study committee. The LSSC, a joint interim committee formed in 1966 and granted permanent status five years later, studies education problems and makes recommendations to the legislature.

From the beginning there were two distinct issues: how much additional money should be appropriated and how the money should be distributed.

A plan to count federal funds from P.L. 874 as local revenue in computing the amount of state aid to a district generated concern over its legality, though the approach was supported by the majority. Los Alamos, one of two school districts in the nation (Oak Ridge is the other) to receive Atomic Energy Commission (AEC) funds presented a special problem. As one incentive to attract top scientists to isolated Los Alamos, the AEC guarantees school funding levels comparable to some of the richest districts in the nation, supplementing state and local revenues. The GAC decided that the new formula should limit or prevent the flow of additional state dollars to Los Alamos since its spending level was guaranteed by the AEC. Los Alamos officials argued that without state dollars, an anticipated cutback of AEC funding would force them to make substantial program cuts.

Friction surfaced between special education interests and others who resented the previous appropriation gains of special education. State department of education representatives were concerned that the proposed inclusion of categorical programs in a formula (rather than under separate accounts) would encourage local district misallocation of funds and loss of control by SDE administrators. Representative William E. Warren, vice chairman of the LSSC and an ardent supporter of special education, was instrumental in persuading the special education spokesmen that their long-term interest lay in coming under the umbrella of the formula.

The proposed establishment of a sparsity weighting factor was another source of controversy. Proponents argued for two sparsity factors: one for small schools, one for small districts. Opponents argued that if a sparsity factor, particularly a district one, were established, then a density factor should also be included in the formula. As a compromise, a sparsity factor for schools with less than 200 average daily membership (ADM) was included. Although primarily a help for small school districts, this factor also pumped money into Albuquerque.

It was not until November that hard numbers became the focal point of discussion in the GAC and the LSSC. By then, the committee members agreed philosophically with the use of a weighted needs approach. At that time, both groups were supplied with data examining the impact of a variety of weighting schemes and appropriation levels on school districts.

As committee deliberations were working out acceptable funding formula changes, Governor King announced that he intended to limit budget increases to 12 percent. That meant an increase of not more than $20.5 million for education.

At its final meeting six days before the opening of the legislative session, the GAC proposed an appropriations increase of $26.1 million. That same day, the LSSC voted to recommend a $26 million increase. The legislative finance committee (the joint interim committee which makes appropriation recommendations) advocated a $17.5 million increase for public schools. Teacher unions, administrators and the School Board Association all supported a $30 million increase. In addition, the state board of education had indicated in December that it was supporting its own proposal calling for a $30 million increase with provisions for a $500 across-the-board pay raise for teachers, despite the fact that the state superintendent of education was co-chairing the GAC, which had made no such recommendation.

The 1974 Legislative Session

The LSSC and GAC had built a broad base of support, especially through the efforts of school finance chief Harry Wugalter, who had contacted school superintendents and board members to explain how they would benefit under the new formula and requested them to contact their legislators.

The bill, HB 85, as introduced, calculated district need using special weights to reflect the differential cost of seven factors: early grades (K-3), secondary grades (7-12), special education, vocational education, bilingual education, school sparsity and a teacher training and experience index. The formula translated needs into the number of program units for which a district was eligible. The funding level of each program unit was to be determined by a separate appropriations bill. District wealth was calculated from seven local and federal sources of revenue. The state equalization guarantee was determined by subtracting district wealth from need. A "save-harmless" provision stipulating that no district would lose state funds was included but would be phased out over a six-year period.

The two major selling points were financial benefits and an increase in local autonomy. Elimination of categorical funding would allow districts to use state funds for their own needs, provided only that special students were in programs that met minimum state standards.

The governor appeared content with Wugalter's recommendations for the distribution formula. However, he hired a lobbyist, Franklin Jones, former executive secretary of the now defunct New Mexico Taxpayers Association, to lobby for his 12 percent spending increase ceiling with the appropriation and taxation committees. The teacher groups and the School Boards Association focused their lobbying efforts on achieving a $30 million increase in funding, leaving it to their membership either to support or oppose the formula itself on the basis of self interest. The National Education Association of New Mexico (NEA-N.M.) supported the formula in principle; however, the Northwest Coordinating Council of NEA-N.M., representing high P.L. 874 districts, adopted a resolution opposing it. The Albuquerque Classroom Teachers Association strongly endorsed the measure, a reflection of the fact that Albuquerque was a big winner in the formula.

Within the legislature, opposition was expected from legislators from Los Alamos, from representatives of high P.L. 874 districts and "save-harmless" districts (there was a great deal of overlap between these categories), and from legislators from some rich districts in the southeast who were ideologically opposed to the state's taking advantage of their high local revenue through a uniform levy.

An informal headcount prior to introduction of the bill showed overwhelming support in both houses. However, a special problem existed in the senate. Only seven senators were expected to oppose the bill, but six were on the senate education committee, leaving that committee with a six to six split. Normal procedure would have called for the bill to be introduced in the senate. However, proponents of this bill were concerned that an adverse ruling or a large number of amendments by the senate education committee would have the effect of halting the momentum building up for passage. As a result, it was decided to introduce the bill in the house where the first hearing would be before the liberal House Education Committee.

That committee reported the bill favorably in one day. However, the house appropriations finance committee tacked on two amendments which became part of the final version. The amendments added a district sparsity factor and increased state aid distributed on teacher training and experience.

HB 85 had the potential of being one of the first bills passed by an urban bloc vote in New Mexico. The entire Bernalillo county delegation in the house supported the bill; none of the 14 votes against it came from the urban areas. However, the liberal urban leadership decided not to fight the district sparsity factor and divide legislation on urban/rural grounds. The battle was not worth waging since Albuquerque and Santa Fe did relatively well even with the amendments. Thus, a minimum coalition was traded for a broader one.

As the senate battle loomed, the hopes of the bill's opponents focused on the expected battle in the senate education committee. When Senator Matias Chacon suddenly suffered a heart attack during the session, the supporters became a minority on the committee. However, there appeared to be sufficient strength in the senate finance committee to overturn undesirable amendments. The bill was reported out with a "No Recommendation" and 11 amendments, 2 sponsored by the supporters.

There was increasing sentiment to raise the appropriation above the governor's figure. The realization was growing that the mushrooming budget surplus indicated that the department of finance and administration had probably, once again, underestimated revenues.

At last the governor capitulated and eased his pressure to keep the lid at $20.5 million. A behind-the-scenes compromise lifted the 12 percent cap from the total appropriation figure but left it on special programs. It was also decided that the total figure would not approach the $30 million requested by the teacher groups so it would not appear that the governor had bowed to their presence.

The senate finance committee hearing progressed smoothly. The committee not only stripped off the unwanted amendments tacked on by the senate education committee, but added an amendment placing "all" districts receiving AEC federal money into a "save-harmless" category with respect to state funds. This was enacted to avoid spending additional state funds in Los Alamos and to avoid taking credit for AEC funds. The bill was reported out with a "do pass" recommendation. HB 85 passed the senate by a vote of 33-7-2 and went to the house for concurrence on the amendments added by the senate. The house agreed on the last day of the regular session, and Governor King signed HB 85 into law.

With the passage of HB 85, attention shifted to the general appropriations bill. Representatives and senators disagreed over the level of funding for special programs. Republican advocacy of the $30 million increase recommended by the teacher unions prevented a compromise from being reached during the regular session. As a result,

the governor called a special session for the legislature to pass an appropriations bill. During the special session, a Democrat-sponsored-amendment for a $30 million increase co-opted Republican enthusiasm to support the teachers' demands. Final agreement was reached in conference committee.

Summary

The passage of HB 85 suggests that the generation of education policy in New Mexico depends on the development of an alliance between the executive and legislative branches of government. If major fragmentation develops within the legislature or between the legislative and executive branches, the passage of major education reform is unlikely. When this alliance does form, the state department of education will be faced with the choice of jumping on the bandwagon or silently observing the process from the sidelines. At present, it appears that the state department of education can exert major influence only on issues of low salience to the executive and legislative branches.

The passage of HB 85 was a surprisingly rational process. Most of the conflict that did arise was related to the appropriations bill, not to HB 85 itself.

Key elements of the new formula had either existed in some modified version or had been proposed (and debated) prior to incorporation into HB 85. Support for the bill was so strong that there was neither the need nor the opportunity for trade-offs. The state's fiscal condition permitted an appropriations level high enough to benefit the vast majority of districts. Finally, the expertise of various members of the executive branch, especially Harry Wugalter, and the key committees of the legislature made a progressive bill possible. Only a few changes were made as the bill traveled the legislative route, the most significant being the addition of a district sparsity factor. A winning coalition had been worked out by the GAC and LSSC before the bill was introduced.

Politics of School Finance Reform in Oregon

Oregon failed to approve significant school finance reform legislation despite an initial coalition that included the governor, the speaker of the house, the senate president and bipartisan legislative backing. Unlike California, Maine, Florida and New Mexico, Oregon requires referendum approval of virtually all new tax measures. This unusual system of governance and the state's strong populist tradition that reinforces "local control" played crucial roles in the ultimate defeat of the governor's reform proposal at the polls.

The plan combined tax reform and school finance equalization. It was nearly defeated in the legislature when, after a running start, momentum for passage slowed and strong-arm tactics were used to speed the bill through. The power play backfired, as independent-minded legislators rebelled against these tactics and eventually the initial coalition splintered along party lines. Although the bill finally did pass the legislature, some lawmakers who voted for it then turned around and campaigned against it in the referendum.

Oregon has a very strong tradition of localism. Any increased state role in financing was on a collision course with this basic political tradition. The strength of this tradition of localism is documented by the low level of state support for education and the tremendous wealth-based expenditure disparities among the 339 districts. Three-fourths of school revenues were provided by local districts. There was no state support for kindergarten or vocational education above the basic support level. The overall state share of costs for handicapped education averaged 20 to 25 percent of total costs for the programs (Pierce et al., 1975, p. 80). Because there was no equalization above a relatively low foundation level, there was no guarantee of equal tax yield for equal local property tax effort.

The 1972 Initiative: Predecessor to the McCall Plan

School budget defeats were increasing every year and public pressure for reform was mounting, but the legislature seemed unable to reach any agreement. In response, the Oregon Farm Bureau organized a successful petition drive to place a constitutional amendment called Proposition 9 on the November 1972 ballot. It would have banned the use of property taxes to support school operating expenses and have required a majority of registered voters, instead of a majority of those actually voting, to pass capital construction bond levies. No provision was made for the types of taxes needed to make up the lost property tax revenue. McCall, in his 1973 plan for tax reform and school finance changes, also wanted to reduce reliance on the property tax for school operating expenses.

The Farm Bureau's petition contained mainly names of nonfarmers hoping for property tax relief. The Farm Bureau, supported by homebuilders, found itself on the defensive against almost every education, political, business, labor and civic organization, particularly on the issue of lack of a new tax. The proponents claimed that only an initiative could break the legislative logjam, and that lack of specific alternative taxes to replace reductions in the property tax would permit the legislature maximum flexibility.

The opposition called it "only half a proposal." The powerful Association of Oregon Industries (AOI) opposed the measure as "irresponsible" even though they would have benefited greatly. All education groups opposed it, as did the AFL-CIO and the Oregon State Employees Association, as a threat to adequate school support. Governor McCall opposed it because it threatened his effort to bring about more comprehensive, far-reaching school finance reform and tax relief. He did praise the Farm Bureau for helping to point out to the legislature that Oregon voters wanted property tax relief. The specter of loss of local control of schools also was raised; this fear was to haunt proponents of the McCall Plan in 1973.

The proposition lost 39 to 62 percent with little variation among the votes in urban, suburban and rural areas. Proposition 9 helped to bring together both those who feared new taxes and those who feared service cuts. It was an important prod to legislative action. Perhaps most significantly, during the campaign Governor McCall announced a revised version of his plans for a comprehensive school finance/tax reform package, and urged defeat of the proposition in order not to jeopardize his plan for "responsible change."

The McCall Plan: Policy Formulation

Governor McCall already had his proposal well underway and was gathering future support for it during the November 1972 election campaigns. He asked each candidate where they stood on the broad outlines of his plan, and asked them to send him letters containing their views. These letters produced enough commitments from eventual winners to insure majority support in the 1973 legislature. McCall, a Republican, campaigned for Democrats who supported his program in campaigns agains Republicans who refused to send him a letter. These letters were never made public, but McCall knew he could use them as a trump card, especially with some Republicans who had second thoughts during the legislative session.

McCall, unable to run for reelection, had little to lose. He envisioned Oregon as a beacon to other states and successful passage of this reform would add to his reputation as an innovative administrator. He saw several trends favorable to a nonincremental approach to school finance/property tax reform. He cited Oregon's federal revenue-sharing funds, legislative assent to minor property tax relief, including the circuit breaker and the five cent cigarette tax increase.

However, in some ways Oregon was an unlikely state to produce as radical a reform proposal as the McCall plan. There was no pending court challenge and the income tax base was providing rapidly rising revenue during a boom period. Political pressure was building, but there was no imminent crisis. Despite repeated school budget

vote defeats, local expenditures for education continued to rise (Saalfeld, 1972). All state initiatives for property tax relief had been defeated decisively and it was not clear that the voters would force the government to do anything.

The nature of the proposal — which merged incremental improvement of the existing distribution scheme with the concept of full state assumption — reflected Governor McCall's view that the people were ready for a new approach to property tax reform.

The major focus of the reform effort was on the property tax issue. The past history of legislative failures made McCall believe he needed a comprehensive plan. He believed the issue was one of finance equity rather than a fiscal or political crisis (Pierce, 1973, pp. 113-132). Consequently, McCall's proposal contained five basic principles:

1. Homeowners' property taxes must be eliminated as a source of financing operating expenses of public schools.
2. If it is to have any chance of passage, any tax program must minimize the shift from income-producing (business) to nonincome-producing (residential) property.
3. Renters should also benefit from the property tax relief program.
4. Taxes for school operating costs must be based on ability to pay. Consequently, state income taxes would be increased significantly.
5. The distribution of education support funds should meet the *Serrano* criteria.

Although McCall's original speech pushing the reform declared that, "who, after all, can draw a hard and fast line in this equalization process between financing education operating costs and capital construction costs," his eventual proposal was silent on the facilities issue.

McCall, unwilling to compromise on the plan's key proposals, only eliminated the payroll tax because of strong business objections. He did not proceed to build a coalition through side payments, but rather modified the details of his concepts to best accomodate the most vociferous objections.

Fortunately, he got the Democratic legislative leadership to go along with the key elements of his plan. A particularly favorable development was the agreement between Republican McCall and Democratic House Speaker Richard Eymann. Eymann liked the concepts from the start. Although he was advised of all changes, he

expressed no serious reservations. Senate President Jason Boe initially adopted a "wait and see" attitude in order to consider improvements and refinements, particularly concerned about the education distribution formula.

Drafting the blueprint. During 1972 two task forces worked on the details of the McCall plan. One that worked on tax reform aspects of the proposal was headed by Robert Davis, the governor's assistant. Other members of this task force included representatives from the Association of Oregon Industries, county commissioners, mayors, certified public accountants and members of the Oregon Education Association. The Davis task force recommended reducing the corporate income tax, eliminating the payroll tax and putting limits on the federal deduction for state income tax purposes. A second task force, organized under Superintendent Dale Parnell, studied school finance aspects of the proposal. Before the final proposal went to the legislature in January 1973, a number of revisions were made. The governor's advisors thought changes were needed in proposals by Parnell's task force to meet the *Serrano* concept. Other revisions were made in the education distribution formula by Davis and experts from the department of revenue.

Because of the rush to get the plan to the legislature as soon as possible, these last minute changes had to be completed with little time for detailed analysis or examination of the impact on local school districts. By contrast, the tax reform study included a more sophisticated simulation and analytical capacity including the ability for an individual taxpayer to call Salem, the state capitol, and find out what his or her taxes would be under the McCall plan.

The lack of school finance data and analysis was partly caused by the lack of staff in the Oregon state education department. Dr. Lloyd Thomas, school finance director for the state education department, was a respected expert, but his analytical resources at the state department of education were not a match for the five full-time economists at the department of revenue. The Oregon Education Association also did not have a large research staff; it had to rely on statistics from the state education agency or from the National Education Association.

The McCall Plan. When the final version of McCall's plan was unveiled in January 1973, its tax reform aspects were far more clearly outlined than its school finance proposals. What were taxpayers to gain from the changes in their tax structure? What education advantages did McCall offer them? The answers to these questions were not clear. The governor admitted that the school finance guidelines were not "final" or "ideal." In fact, it was specified that "the state board of education will be directed to recommend ways of

achieving equal educational opportunity during the coming year." Despite its intended progressiveness, the overall plan actually solidified many wealth-based inequities of the existent system of financing education.

It was generally agreed by proponents and opponents alike that the McCall plan would give net tax reductions to between 60 and 80 percent of Oregonians. Older persons and persons with incomes under $16,000 would benefit the most. Small businesses also would receive slight tax reductions. The governor, thinking that most voters would cast their ballot in their own financial self interest, believed these broad tax cuts would mean victory for his proposal. He was wrong; big business, persons with high incomes and little property, and others hard hit by the changes, campaigned vigorously and successfully to defeat the plan.

The 1973 Legislative Session

McCall wanted his plan passed quickly in order to hold on to his fragile coalition of Democrats and Republicans that emerged out of the November elections. He had in hand the letters of support from candidates who won the elections and he had the support of House Speaker Eymann and Senate President Boe. But this alliance attempted to steamroller its opponents, leading to some of the roughest politics Oregonians had witnessed in years.

Governor McCall, House Speaker Eymann and Senate President Boe aimed for support of a majority of both parties in the house and senate. They envisioned a coalition of both parties throughout the legislative process that would build a solid front of legislative support for the referendum campaign (Pierce, 1973, p. 132). Unity prevailed at the outset of the session. Members of the senate attended house committee hearings and vice versa. Such cooperation is uncommon in the Oregon legislature.

The unity stance prevailed in early February, when House Minority Leader MacPherson pledged Republican cooperation. But within a few days, the coalition began to splinter. Bitter feelings began to surface that were carried over to the referendum, and the idea of a single coalition was replaced by public squabbling among major factions.

House Speaker Eymann, Senate President Boe and Governor McCall antagonized other potential supporters by taking unusual actions. For example, Eymann appointed himself and the majority leader to the revenue committee.

MacPherson then called the McCall plan, "a purely partisan political power play," and Republicans from then on preferred to call it "The Democratic Program." On February 8, the house revenue committee voted nine to four, on a party line split, to report the bill with a "do-pass" recommendation. The Democrats had only a slim 33 to 27 house majority so the outcome of floor action was uncertain.

The Democrats had made no significant concessions, but these minor changes had been incorporated into the McCall plan: (1) an exemption from the property tax rolls for farm machinery which helped Eastern Oregon; (2) some minor considerations for the Portland area; and (3) cutbacks in the amount of state support for kindergartens.

Legislative analysts give credit to Eymann for holding together a group of Democrats with different philosophies and constituencies. Some Democrats switched to a "no" vote on final passage but they stood with Eymann in opposing the key Republican substitute. Twenty-seven of the 60 house members were freshmen, which helped Eymann in his task of holding them together through "friendly persuasion" rather than "wielding a big club."

The McCall plan runs into opposition in the senate. The McCall plan soon came under fire in the senate revenue committee, and it only hobbled through senate floor action. On March 6, committee chairman Vern Cook was removed and Boe took over as chairman. The committee sent the bill to the floor with a four to three straight party vote. No major concessions were made.

The bill did not have enough Democratic votes alone to pass, with 18 Democrats and 12 Republicans in the senate, and 16 "yes" votes needed for passage.

Senators Atiyeh and Wingard filed separate minority reports to the senate. Two Democrats from Portland, Cook and Burns, deserted their colleagues to back the Republican proposals.

Boe was holding almost all his Democrats in line. His speeches stressed the possibility of an initiative if the legislature did not act.

On March 22 the McCall plan appeared doomed when four Democrats and 12 Republicans opposed it in the senate. McCall went into action. He applied pressure to Republicans, some of whom had written him those "commitment letters" during the November election. Three of these "committed" Republicans switched their votes but openly stated they disagreed with McCall's plan. Their ace was the Oregon tradition of referral to the voters for a final decision. They

could approve the bill in the senate, then campaign against it during the referendum, and several senators did. The final senate vote was 17 to 13.

Disunity in the senate weakened the McCall proposal's house support. When the senate bill went to the house for concurrence, it passed on a vote of 39 to 21, including 28 of 33 Democrats and 11 of 27 Republicans.

The referendum. The power politics and lack of unity displayed during the legislative process were a bad omen for the referendum. Governor McCall no longer could muster strong support from both parties. Republicans opposed his plan 12-0 in the senate and 16-11 in the house. He had gained a number of enemies. The bruised feelings of key legislators made them determined to lead a vigorous opposition campaign. The large tax increases for big business and wealthy individuals provided for in the bill gave them plenty of incentive to bankroll a professionally-run campaign to defeat McCall's plan. These opponents outspent the plan's proponents two to one — $62,115 to $29,600 (*Eugene Register Guard*, June 5, 1973). The McCall proposal was voted down in the referendum: 58 percent opposed, 32 percent in favor. Only 3 out of 35 counties approved it.

The opponents relied on a well-financed confusion strategy embodied in several potent elements: (1) it was claimed that information about the plan was insufficient to make an intelligent choice and that even legislators didn't know its impact because a school district's assessed property value was unknown; (2) doubt was created and the idea was implanted that economic growth would be discouraged; and finally, (3) the opponents urged voters to vote no if they didn't know what the bill would do.

McCall, Boe and Eymann had been campaigning all over the state. In the early stages, they had featured reams of statistical information showing the effects of the proposal on voters in each school district. Voters could call a toll-free number at the department of revenue in Salem to receive a precise calculation of their new taxes. They also stressed principles like *Serrano*, progressive taxation and full state funding. When the complexity of the issues and the confusion tactics of the opposition began to hurt them very badly, they switched to the "testimonial technique." When the target was the blue collar working man, they emphasized that the AFL-CIO and Teamsters strongly supported the McCall plan. In Portland, the support of Mayor Neil Goldschmidt and the Portland School Board was featured. Voters were implored to "put their trust" in the governor, Secretary of State Clay Myers, the League of Women Voters, the Oregon Farm Bureau and even the former senator from Oklahoma, Fred Harris.

Summary

What went wrong? Governor McCall started in January with bipartisan support of his dramatic proposal to alter both the tax structure and the system of financing schools in Oregon. In May, the voters overwhelmingly defeated his plan.

It is possible that McCall could have preserved his fragile coalition and insured the success of his plan if he had been willing to make some "side payments," particularly to big business and primary legislative opponents. A more united legislature would have helped the program's public image before the voters in the referendum.

Oregonians were not convinced that the state faced a crisis so acute that it called for a change as fundamental as McCall's proposal. The proposal might have been too much by calling for both more progressive taxation and vaguely defined school finance reform in the same measure. Since knowledge about such massive change was scarce and imperfect, the electorate reacted with doubt and voted no. In addition, the more complex the school finance system, and Oregon's was complex, the more difficult it was to change it nonincrementally. The complexity of Oregon's system veiled the built-in advantages for various constituencies, all of whom were reluctant to give up these special benefits for an unknown new system.

Politics of School Finance Reform in California

On the last day of the 1972 legislative session, five California state lawmakers surprised even the most astute political observers by passing a controversial bill, SB 90, that combined property tax relief with mild school finance reform. Only a few days before the vote, Governor Reagan, the bill's prime sponsor, was convinced it would not pass the senate. He bitterly announced that he had made his last concessions and would take the issue to the people through a referendum:

> Once again this little band of recalcitrant Senators has shown that their only motivation in asking for impossible changes at this eleventh hour amounts to nothing more than an attempt to justify their votes to kill the bill (*California Journal*, December 1971, p. 368).

Gathering support for the legislation was a delicate and time-consuming process, a masterful exercise in coalition building. The bill finally passed after several years of legislative failures and two statewide initiatives on referendum ballots.

The bill was only a limited victory for school finance reform, a "first step" toward equalization. Many reformers, who denounced SB 90 as a "sellout" that dissipated legislative momentum towards more fun-

damental changes, hoped the California Supreme Court would overturn the law for not meeting *Serrano* criteria. Indeed, in 1976 the California Supreme Court ruled that SB 90 did not meet the *Serrano* requirement that expenditures should not be related to local school district wealth. Nonetheless, SB 90 included a number of significant provisions, one of the most innovative being the use of spending limits in terms of per pupil expenditures rather than tax rate limitations. SB 90 also "leveled up" the low wealth districts with state money and permitted them a larger annual increase in per pupil expenditures than wealthy districts. Over a long period of time, SB 90 would have equalized (e.g., in terms of fiscal neutrality) about 85 percent of the pupils in California.

The bill was funded by two tax increases, one in the state sales tax and the other in the bank and corporation tax combined, which were expected to produce $682 million in new tax revenues. The balance of $451 million was to be provided from federal revenue sharing ($215 million) and surplus revenues produced from 1971 tax legislation ($236 million) in 1973-74.

There were several limitations that SB 90 placed on local units of government. At the governor's insistence, cities, counties and special districts were prohibited from raising local property taxes above the rates in effect for 1972-73. Only the voters could give these units of government authority to raise tax rates. At the same time, public school districts were also limited to only those tax increases necessary to offset inflation and enrollment growth, unless district voters specifically authorized further increases.

Origins of Reform

As 1971 began, Governor Reagan was unconvinced of the need for large infusions of new money for schools or large scale tax changes to finance equalization. His largest single budget cut in 1971-72 was $100 million of the increased appropriation for state aid to schools — he chopped it to zero. He believed that schools could make do with their existent spending levels if they made their structure and management practices more efficient. In his 1971 state-of-the-state message, the governor declared:

> Before we blindly apportion more of the people's money, the time has come to see how much the school districts themselves can do to narrow the revenue gaps through the revision of business practices (Goff, 1971).

The governor and his staff cited studies asserting that the local school districts had serious management deficiencies, and that past state aid increases had had little impact on the problems of illiteracy and low achievement.

Governor Reagan dragged his heels in accepting the necessity of some school finance reform, but once he was won over, a number of factors conspired to convince key legislators as well. Increasingly heavy property tax burdens caused taxpayer revolt in the late 1960s. In 1969-70, 53 percent of California school district tax elections had failed. Local school districts found themselves in a fiscal vice. They were unable to increase local property taxes, yet Governor Reagan's stand prevented increases in state aid. Therefore, the local agencies were willing, by 1972, to endorse almost any proposal that promised immediate state aid and some guarantees for the future. Fundamental reform for greater equity could wait for a less financially desperate period, they felt.

On Aug. 30, 1971 the California Supreme Court by a six to one decision in the *Serrano v. Priest* case, found the state's system of financing education to be in violation of the California Constitution. The decision became an important prod to politicians, and forced them to see that school expenditures and tax equity must be considered in any tax package.

The inequities in the tax burden were emphasized in the proceedings of the court case, which featured the now famous comparison between Baldwin Park, which spent $595 per pupil and had a tax base of $16,000 per pupil, and Beverly Hills, which spent $1,244 per pupil and had a tax base of $200,000 per pupil. Even though it spent more than twice as much per pupil as Baldwin Park, Beverly Hills' tax rate was less than half that of Baldwin Park.

At the same time, an initiative was introduced by Philip Watson, Los Angeles county tax assessor, in an attempt to amend the state constitution's property tax provisions by referendum. Watson wanted to limit property taxes to $825 per student and distribute the money to each county, with the counties redistributing the money to local education agencies according to need. Watson provided for increases in state sales, income, cigarette, corporation and liquor taxes to offset the anticipated property tax cut of about 40 percent.

Although Watson's plan was opposed by teachers, school administrators and the governor, it gathered a significant number of signatures in the effort to put it on a referendum ballot.

Developing a Coalition

As the 1972 legislative session approached, there were no clearly drawn lines of dissension over education finance reform. Throughout the year, participants altered alignments as bargains were struck, side payments were made and various pressures were brought to bear.

The most significant realignment occurred when Assembly Speaker Robert Moretti and Governor Reagan joined forces in support of SB 90 in June, cementing a coalition with the basic goals of property tax relief, increased state aid for low wealth districts and provision for particular constituent interests.

The *Serrano* reformers, more ambitious in their goals, not only failed to build a winning coalition for major changes in school financing, but they lost the support of a number of important teacher and supervisor organizations. Those groups traded their strength for immediate, specific goals, including increased foundation aid, inflation adjustments and support for early childhood education.

Business and farm groups, allied with Governor Reagan, pushed for property tax relief and lowered business inventory taxes. In exchange, they continued to support the governor's proposal to channel some state aid to schools.

As the bill, an amalgamation of a number of assembly and senate bills dealing with taxation and education finance, moved through the legislature, many individuals and special interest groups had to be mollified and paid off for their support. In the end, the bill was not as far reaching as the *Serrano* reformers would have liked; Reagan never intended for it to be. But it was he, with the help of Moretti and Wilson Riles, superintendent of public instruction, who was able to build a winning coalition without losing sight of his own aims, which were quite different from those of the *Serrano* reformers. Reagan was primarily concerned with maintaining spending levels, shifting the tax burden and avoiding dramatic change in the system.

Reagan and Moretti had mutual respect for each other, could negotiate face to face, and had worked together on a welfare bill. Reagan was impressed by Moretti's ability to control the assembly on crucial issues. Assembly Speaker Moretti was opposed to Reagan's philosophy and bitterly denounced many of the governor's proposals, but he was anxious himself to become governor and wanted to face the voters with an impressive record of accomplishment, particularly on this issue.

Moretti's collaboration with Reagan and his own strong influence in the assembly virtually assured the bill's success in that chamber. But in the senate, the bill passed only after intensive lobbying by the education interest groups, headed by Wilson Riles, chief state school officer. Some members, however, questioned whether or not education groups "sold out too soon" and could have extracted more from Reagan in exchange for their support.

At the outset of the 1972 legislative session, Reagan and Moretti were poles apart in their basic proposals. Reagan proposed a $14 million income tax reduction and asserted his plan contained no net tax increase at all — just a tax shift. Moretti's plan, he countered, "has about two-thirds of a billion dollars in tax increases." Moretti's plan contained no spending limits on local government; Reagan insisted on state controls over local expenditures. On school aid increases, the two disagreed to the tune of $300 million.

This bleak picture in April changed rather rapidly. By June 20, Reagan and Moretti announced agreement on $1.2 billion tax relief/school finance proposal that ultimately became SB 90 with some minor revisions. The importance of the favorable environment this partnership created overshadowed further disputes about particular portions of the Reagan-Moretti bill. Ken Hall, Reagan's chief assistant on SB 90, put it this way:

> You had a number of unique conditions that all fell into one place at the same time. There was a powerful Speaker with ambition to be Governor. The Governor, like the Speaker, felt intense pressure to deliver on the issue, which past failure reinforced. The *Serrano* decision had just recently been issued. Federal revenue sharing arrived in the largest amount we had hoped for. The state surplus grew larger with each consecutive estimate.

Nonetheless, building a successful coalition meant certain side payments had to be made. Concessions were demanded by education interest groups, business lobbies, local government units and special urban bloc votes.

An early childhood education program, pushed by Riles, was added to the proposal in order to assure his enthusiastic support. He brought with him a combination of various education and citizens groups, forged into an effective lobby group, the Education Congress, that was the deciding factor in gaining senate approval.

The school lobbies were brought into the coalition by guarantees of built-in inflation factors, faster growth in the leveling-up of low wealth districts and a "slippage factor" that helped to offset the decrease in state aid as local assessed valuation increased. The "urban pay-off" was a special factor for disadvantaged students included in the school aid formula. It was higher than planned and structured to favor San Francisco, a concession to the power of William Brown, assembly ways and means chairman. The fourth compromise was an agreement with city governments for the state to pay for all increases in services mandated by state government.

Who were the many members of the coalition that eventually succeeded? What part did each one play?

The California Senate and the education lobby. The real political drama for SB 90 was in the senate — the graveyard for all previous tax reform bills. After the governor's influence and willingness to make more concessions were exhausted in the summer of 1972, more senate votes were still needed for passage. The governor turned to the education lobby and its allies to produce victory. Poised, they were ready to twist the proper arms to get what they wanted.

In 1971, at the urging of Wilson Riles, a large number of education-oriented interest groups merged together to form the school support committee.The 33 committee members were from all segments of the community, including the Chamber of Commerce, the League of Women Voters, the State Grange, the California Labor Federation, AFL-CIO, the County Supervisors Association, the League of California Cities and others. The committee was charged with preparing suggestions for reform for the 1972 legislature.

The California Teacher's Association. The influence of the California Teachers Association (CTA), an affiliate of the National Education Association (NEA), had waned on major expenditure issues in recent years as the organization had focused more on teacher welfare. But for years, the CTA virtually controlled school financing decisions in California (Berke and Kirst, 1972, pp. 80-95).

Representing about 80 percent of California teachers, CTA hit its low point of political influence in 1970 with the overwhelming defeat (71 percent opposed) of its initiative, called Proposition 8, to force state assumption of 50 percent of total school costs. Born of a desire to revitalize CTA political clout in Sacramento, and a frustration with lack of legislative success in the 1960s, Proposition 8 depleted the CTA treasury by a whopping $1 million.

However, despite its financial depletion, CTA remained a cohesive organization, and played a major role in the drafting and passing of SB 90. Oscar Anderson, former CTA president, was one of the chief architects of the foundation plan implemented in California in the 1950s, and author of the senate version of SB 90 (also called the Dills bill). Even though the assembly subsequently combined Moretti's AB 1000 with SB 90, many of the outlines of the school finance part of the final version were in Anderson's rough draft.

The individual expertise of particular CTA representatives such as Anderson outweighed the conflicting opinions of the many experienced lobbyists involved in school finance reform. Anderson's expertise was backed by a vigorous and growing CTA effort in key state legislative races. The crucial swing vote in the senate came from Senator Roberti, a legislator who benefited from a very substantial

campaign contribution, another index of teacher power. CTA's political action arm had increased its campaign contributions at a very noteworthy rate.

CTA's first priority was "adequacy" rather than "equity." They opposed a solution that allowed voters to select low tax rates yielding an "inadequate" school expenditure floor. A prime area where the governor and the CTA differed was on the amount of new state money to be earmarked for schools. The governor was starting at $100 million while CTA started at $500 million. The eventual compromise was $220 million.

California Association of School Administrators. Disunity and frustration with new political coalitions have lowered the ambitions of the California Association of School Administrators (CASA) and hampered it in achieving its highest goals. It had considerable resources of professional expertise and a well-organized membership, but the disunity of educators as a whole and the emergence of a legislature with strong staff resources and enough information to formulate its own alternatives made CASA more amenable to a limited education reform bill like SB 90.

In the 1940s, school administrators were able to wield enormous influence over education policy. There was a part-time legislature with a small staff. This was before the split between teachers and administrators in education organizations. They also ran "unity" candidates for state superintendent, and hammered out a single policy initiative in state politics. It was usually the only specific initiative and as late as the early 1950s, governors, legislators and noneducation interest groups in California were content to leave education policy to the "education experts." Lack of party cohesiveness in California enhanced the effectiveness of this once monolithic interest group.

Since 1960, school administrators, the one-time leaders of the school lobby, have been considerably less effective. In part this resulted from the general decrease in influence of all lobbies and the emergence of a full-time legislature with a large staff. But the school lobby's feud with itself, which split it into rival factions of teachers, administrators, school board members and the PTA, produced CASA as merely an umbrella group for administrators.

Lobbies in opposition to the education groups. A pro-education lobby was particularly promising in 1972 because of the neutralization of most opposition lobbies. Although few groups will overtly attack education, major taxpayer groups usually are sensitive to its high costs. Any equalization plan, especially a statewide property

tax that would greatly increase local taxes, will face opposition from major owners of taxable property such as oil companies, utilities, railroads and real estate groups as well as the California Taxpayers Association (Cal-Tax).

These business organizations had surfaced in 1970 to combat the California Teachers Association's Proposition 8, particularly the provision for a statewide property tax. As negotiations on SB 90 unfolded in 1972, a crucial issue was the willingness of the education coalition to give up the statewide property tax and redistribution of local tax dollars. In return for this concession, Governor Reagan was willing to provide more general school aid from the increased state taxes, and equally important, he would neutralize the industrial lobbies. He did this partly through the reservoir of good will built up with industrial supporters, and partly through reductions in the business inventory tax.

The California Taxpayers Association has been a long-standing opponent of the school lobby. Cal-Tax's consistent view has been that general increases in state school aid will not yield better education outcomes. They contend school districts need better management, increased efficiency and state aid that is linked to increased performance. Cal-Tax is particularly opposed to redistribution schemes, such as district power equalizing, that will raise industrial property taxes in rich districts. The banner of local control is used to fight redistribution by the state.

It is difficult to assess the impact of the anti-education lobby, but Sacramento folklore makes it appear formidable. One education interest group aide emphasized the expertise and wealth of these lobbies and concluded:

> You have to remember that these big-time lobbyists don't ask for things very often. They spend most of their time being friendly and maintaining access to the legislature. They have total access to many legislators. When the crunch is on and things get busy that kind of access can be worth its weight in gold.

Governor Reagan had been an ally of Cal-Tax and the industrial lobbies opposing redistribution and a statewide property tax. Despite this formidable opposition, the education lobby (except the CTA) had continued to push for a statewide property tax.

The 1972 Legislative Session

Reform legislation did not have trouble in the California assembly. A variety of school finance bills were introduced. Riles' School Support Committee and Democratic and Republican leaders of the assembly education committee all submitted their own bills. But the most important one, AB 1000, was introduced in March by Assembly

Speaker Robert Moretti. That bill passed the assembly, late in May. The "Education Congress," a well-organized array of interest groups including the usual education groups plus the League of Women Voters and the American Association of University Women was put together by Riles. Coordinated by his legislative liaison staff and specializing in building grassroots pressure, this group was to flood capitol offices, particularly the senate, with constituents. Individual legislators were contacted by dedicated workers from the League or the PTA. If the local superintendent had more credibility, he or she was matched with a key legislator.

In May, also, the governor introduced his own plan, tax reform — school finance SB 1351. The state board of education plan and SB 90, the California Teachers Association bill, were still alive in the senate at the time. Finally, the governor and Speaker Moretti agreed to compromise in June. Some proponents of other plans soon joined the compromise bandwagon. The coalition was spearheaded by a bipartisan group of legislators looking for increased school support and strengthened by Riles' Education Congress.

Late in July the senate passed SB 90 without property tax relief. Speaker Moretti saw SB 90 as the only way to get the Reagan-Moretti bill to the senate floor, since he wanted to bypass the hostile senate education committee. So SB 90 was amended to become identical to AB 1000, and the combination of SB 90 and AB 1000 passed the assembly by a vote of 61 to 1.

With the assembly votes in hand, the focus of lobbying efforts shifted to the senate, where every effort was made to get the magic proportion of two-thirds, 27 affirmative votes. But SB 90 appeared to run out of steam as senate opposition welled up from several sources. Some senators objected to another Reagan-Moretti compromise, particularly after the one the governor and the speaker had worked out on welfare reform the previous year. The tax reform/school finance measure gave little public credit to the senate. In addition, Senators Mills and Moscone were serious candidates for governor, and were not enthusiastic about anything that might boost Moretti's gubernatorial ambitions. Senator Rodda, chairman of the senate education committee, objected to the sales tax increase and the limited school finance equalization. Some urban senators were unhappy with the low level of benefits for urban students, and more rurally-oriented senators were sympathetic to the pleas of county governments who claimed SB 90's limits on county tax rates would "set them back 100 years."

Irritated by the success of the Reagan-Moretti compromise, the senate meanwhile had multiple bills approved for floor consideration

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by its education committee. But these bills never went anywhere because Moretti, on the assembly side, bottled them up in assembly committees.

The compromise clearly ran into trouble in August. On the last day before the summer recess, the vote on SB 90 was 23 to 14, 4 votes short of the 27 needed for a two-thirds majority.

Reagan's office then admitted that it could influence no more votes. It was left to Riles' Education Congress to escalate the pressure. The education groups divided their forces to maximize influence. An example is the pressure applied to Senator Roberti who represented a low wealth area of Los Angeles county that stood to gain substantially from the bill. The United Teachers of Los Angeles, who had contributed significant amounts of money and manpower for his campaign, leaned on him to switch his vote. After Senator Roberti switched his vote, SB 90 was one vote short of senate passage. Two other senators, Senators Mills and Stier, neither one wanting to be the last holdout, capitulated. The conference committee agreed on more funds for compensatory education, some renter relief and more new money for schools in November. On Dec. 1, the assembly adopted the conference report, and it then passed the senate, 29 to 10.

Roberti had been the key swing vote, and his ballot was heavily influenced by the pressure exerted on him by the education lobby. Riles' coalition of education interest groups had been successful in butteressing the Reagan-Moretti alliance in the most crucial moment. As part of the coalition's agreement, the governor signed into law both SB 90 and Riles' Early Childhood Education Plan, SB 1302.

Summary

The governor was highly skillful as the chief entrepreneur and coalition builder (Nakamura, 1974). He waited for Speaker Moretti's bill, AB 1000, to gather momentum before conceding to more school aid. He acted to stifle competition by threatening a veto or initiative campaign, particularly as the last few votes were difficult to gain in the senate. He used side payments adroitly to keep the package within the bounds agreeable to all factions. And finally, he cited the Watson initiative and *Serrano* court decision as more radical alternatives that could be implemented if his compromise failed.

Moretti saw the need for property tax relief as a campaign issue. Both men, along with their aides, spotted the possibility of a compromise and set about devising it. Equalization, they recognized,

would be beaten by the coalition of rich school districts, moderately rich urban schools, farmers and business.

The education finance reformers found themselves cut off from the organized school lobbies who extracted a number of concessions, including additional general school support. Their role in passage, particularly in the senate, was crucial.

V. The Middle Seventies

After 1974 the pace of reform slowed. The major reason was the national recession which evaporated state surpluses. For two years, virtually no significant reform occurred. Some states, such as Connecticut and South Dakota, passed reform bills but did not fund them. Others, such as Tennessee, simplified complicated and outmoded distribution formulas, unable to afford major reform. Still others, typified by New Jersey, were caught up in debates over sources of revenue to fund school finance reform.

Not until 1977, the year all three of the following states passed reform legislation, did reform prospects become promising once more. States were beginning to experience surpluses again. It is clear that the success of leveling-up reform, the only kind this country has seen in the seventies, depends heavily on a rosy economic picture.

Politics of School Finance Reform in Missouri

Missouri, like the other states discussed, has a long history of school finance reform. The history of reform efforts may be particularly important in accounting for Missouri's successful reform. With each attempt at reform, with each study, leading citizen participants were developing the skills and expertise which stood them in such good stead in 1977.

Early Attempts at School Finance Reform

A major actor in all school finance attempts in Missouri in the last two decades has been the periodic Governor's Conferences on Education and the St. Louis based Conference on Education (C.Ed.). The latter was established by Missourians who had attended President Eisenhower's 1955 White House Conference on Education, and organized St. Louis area conference members upon their return. At the beginning, its workers were strictly volunteer.

The governor and the C.Ed. jointly sponsored a Governor's Conference on Education in 1966. Its report dealt with the organization and financing of schools. In 1968, another Governor's Conference on Education laid the groundwork for 1969 school finance reform legislation which changed the state aid formula from a flat grant to a foundation program, a big step forward toward school finance

equity. A grandfather or hold harmless clause provided that no district receive less per pupil aid than it had in the previous year. If there were additional state funds beyond those needed for the formula, the funds were distributed to districts in the same ratio as those already received.

In the early seventies, the C.Ed. became professional with support from the Danforth Foundation. Jane Paine became its executive director and the conference undertook a study of citizen priorities for reform.

In 1971 the state board of education appointed Arthur Mallory as new education commissioner. He subsequently produced a study of school finance reform. Although general in nature, the report endorsed the concept of the need for increased equalization.

In 1972 the C.Ed. initiated a Task Force on Financing Schools which made specific recommendations for property tax reform and school finance legislation. In 1973, the Missouri League of Women Voters published a detailed study of financing inequities.

This extensive involvement in the issues of school financing prepared Missourians well for the 1976 Governor's Conference and the subsequent reform. Members of the C.Ed. and the League were becoming increasingly well-versed in the language and specifics of reform, as were the governor and, as importantly, key legislators.

The 1976 Governor's Conference

C.Ed. leaders began to promote the idea of another Governor's Conference as early as 1973. At Jane Paine's initiative, a meeting took place with Education Commission of the States' representatives, C.Ed. leaders, Commissioner Mallory and a few legislators, including Representative Wayne Goode, then chairman of the house education committee and a strong supporter of school finance equalization.

After this meeting, the C.Ed. concentrated on enlisting Republican Governor Christopher Bond's support for a conference. An informal coalition of groups was organized to write the governor. They included the League, the NAACP, the Urban League, the PTA, the St. Louis School Board, Cooperating School Districts of St. Louis County, the National Council of Jewish Women, the Educational Alliance, the Junior Leagues of St. Louis and Kansas City and the Missouri Association for Social Welfare.

With considerable persuasion by his influential supporter, Zack Bettis, president of the State Board of Education and vice-president

of the Southwestern Bell Telephone company, Governor Bond agreed to the need to convene a new Conference on Education. To insure both gubernatorial and lay control of the conference, the lieutenant governor, William Phelps, was named chairman and C.Ed.'s Carolyn Losos became the vice-chairman. Furthermore, the governor wanted the conference to discuss a broader range of topics than just school finance. Therefore, in addition to school finance and governance, the conference studied vocational education, accountability and early childhood education.

Marcia Nodiff, the governor's choice, was appointed staff director of the conference. Reform-oriented citizens and citizen groups related well to Nodiff and had considerable influence over the substance of the conference. Zack Bettis, named to chair the conference finance committee, secured contributions from 17 major corporations, as well as support from the Ford Foundation, the state and other foundations. Wayne Goode was conference program chairman and chairman of the education finance committee, whose major financial support came from the National Conference of State Legislatures which disseminated funds for school finance research made available by the National Institute of Education. Goode's co-chairperson was Jane Paine. Betty Thompson, a C.Ed. member of the Governor's Conference, headed the implementation committee.

The conference conducted its school finance study over a 14-month period, with the consultative help of the newly-created Education Finance Center directed by Allan Odden at the Education Commission of the States (ECS). ECS studied all aspects of the financing system, developed a computer simulation of alternative plans, and worked with the legislature and State Department of Education through the 1977 legislative session. At the same time, the C.Ed. and the League of Women Voters were working to promote citizen understanding of the conference's efforts. Their efforts were assisted by hearings held around the state by a joint house-senate interim committee on the issues of school finance. The hearings were a cooperative effort led by Representative Goode and State Senator Nelson B. Tinen, chairman of the senate education committee, assistance from State Department of Education Deputy Commissioner William Wasson and School Finance Coordinator John Alberty. Furthermore, the conference itself held five regional forums around the state in 1976. Over 2,500 people attended and participated in the regional meetings.

In November 1976, Bond lost his bid for reelection to the relatively unknown winner Joseph P. Teasdale, a Kansas City lawyer with little previous experience in state politics. The December Governor's Conference went on as scheduled, but only outgoing Governor Bond

attended. In his opening address to the conference, however, Governor Bond stated that excess state revenues were available over the next four years to fund a major school finance reform.

The education finance committee's report recommended major changes in existing practice. Based on extensive analysis, the report recommended property tax reform through statewide assessment and enforcement of the 33⅓ fractional assessment already required by law. It also proposed an increase in the foundation level for school finance, the implementation of a guaranteed tax base add-on, a phasing out of grandfathering and increased state aid for transportation and special education.

These recommendations represented compromises which were worked out within the education finance committee and which considerably smoothed the path of reform in subsequent legislative consideration. For example, rural opposition, expressed primarily in the senate, was placated by the increased aid for transportation.

Even prior to the actual meeting of the conference, participants had given thought to the implementation of conference proposals. The Danforth Foundation supported C.Ed.'s efforts to build a coalition for citizen education and organize meetings around the state.

The Governor's Conference implementation committee held meetings with key legislators early in 1977 to explain the conference's recommendations and push for their passage. In addition, the committee organized a Citizen's Education Network of 31 members who were to continue the statewide cooperation of the Governor's Conference.

The 1977 Legislative Session

The Governor's Conference recommendations were incorporated into HB 131, introduced by Wayne Goode who also moved from chairman of the education committee to chairman of the house appropriations committee. Further help was given by the new Governor Teasdale who backed two separate education appropriations: a $22 million allocation if a reform bill did not pass and a $52 million allocation if it did.

The senate made two major changes in the Governor's Conference recommendations, as passed in the house as HB 131. First, an income factor was added that decreased the deduction tax rate in the foundation part of the formula and increased it for higher income areas. (The income adjustment became possible because the de-

partment of revenue had begun collecting state income tax data by school district.) The senate, led by Norman Merrell, had pressured for the income factor which allocated relatively greater amounts of aid to rural areas which had relatively low incomes. Representatives of St. Louis county and Kansas City, however, opposed this move, along with other urban and suburban representatives, because they were higher income areas and the income factor decreased their aid. However, in conference committee, the house, led by Goode, went along with senate demands in order to assure the bill's passage.

The second major change in the senate was the addition of a grandfather clause which established a state aid floor for all districts. Although helped by the grandfather clause, representatives of St. Louis county school districts continued to oppose the bill, but it finally passed the house 109 to 48 and the senate 23 to 19.

The school finance reform was facilitated, as in other states, by the existence of a budget surplus. The implementation work of the Governor's Conference, the C.Ed.'s efforts and the work of the house leadership were also seen by participants as crucial to reform. Governor Bond's staff was quite helpful and Governor Teasdale, in proposing a reform appropriation twice the size of a nonreform one, significantly helped the politics of HB 131's passage.

The same legislative session considered the Conference's recommendations on property tax reform. The effort was killed by one vote in senate committee, though, and also met failure again in 1978. However, some reform has been accomplished by an increase in state-provided funds available for assessors, hearing officers and field workers and the issue remains very much alive in Jefferson City. Court pressure for uniform assessment is also building.

The Reform Process in Missouri

The most notable feature of Missouri's school finance reform process was the momentum provided by the Conference on Education, and the existence and leadership of a powerful legislator, Wayne Goode, committed to equalization. The state had developed a history of citizen involvement in such conferences, including ultimate legislative response. Although it could be argued that in the sixties, then Governor Hearnes took a more active role in initiating his conferences on education, both Governors Bond and Teasdale made important contributions to the 1976 Conference on Education and the 1977 school finance reform.

Though the state board of education did not play a major role, its chairman, Zack Bettis, was a major influence. He brought the

conference the support of the business community and served as mediator between C.Ed. and the governor. Clark Payne, also from Southwestern Bell, was important to the conference as kind of a resident property tax expert. State department of education personnel provided important technical backup, including an updated data base during the legislative session that allowed the consultants to make current simulations of HB 131 and its changes, especially the income factor, as it moved through the house, senate and conference committee.

The education interest groups were not actively involved in reform even though they supported increased funding for schools. They were fragmented and could not serve the role they might have had they been united supporters of the Governor's Conference recommendations. The Missouri NEA affiliate supported the education finance committee recommendations while the Missouri State Teachers Association supported a hold harmless clause.

On the other hand, the legislative role in passage of reform in Missouri cannot be emphasized too much. Goode himself was indispensible to reform efforts. He was the acknowledged legislative school finance expert and his movement from the education to appropriation committee chair was crucial. His colleague, Steve Garner, is still fighting the property tax reform battle.

One irony of Missouri's reform concerns the role of the C.Ed. Founded as a St. Louis city-St. Louis county organization, it grew over the years to adopt a statewide orientation. The 1977 reform, which emerged primarily due to C.Ed's efforts, did not provide for an increase in aid to many suburban districts in St. Louis county. The income factor, moreover, really hurt many of them; they did not benefit greatly from the increased transportation aid and were assessing at closer to legal levels than many rural areas. Consequently, many St. Louis county groups feel that the C.Ed. made too many concessions to rural interests.* Subsequently, C.Ed. has experienced a loss of credibility with St. Louis county school districts who feel they are suffering under the 1977 formula.

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*Bill Conklin, assistant superintendent of Kansas City, was on the education finance committee of the conference. Due to his efforts, urban areas did receive a .25 extra weighting for ADC children. Also, pupils were counted by both attendance and enrollment. Using only attendance can penalize cities.

Politics of School Finance Reform in South Carolina

As South Carolina entered the seventies, its school system was decades behind national standards. The primary issue was not one of undue reliance on the local property tax or lack of state support. The state provided transportation, textbooks and support for basic operating expenditures amounting to 66 percent of total operating revenue. However, the level of education spending in the state was low. Half the children in the state never finished high school, and only one-tenth of those who did finish received postsecondary training (League of Women Voters, 1978a, p. 18).

Perhaps the low level of support for public education in South Carolina is best evidenced by the large number of private academies (Sherman, 1977) which have educated those fleeing the designated public schools. In certain school districts, low property tax rates directly resulted from the whites' choice to opt out of and undersupport public education. However, South Carolina also faced sharp differences in local wealth, the kind of disparities which were just entering the national consciousness in 1970. The poorest districts, with market values of property some nine times lower than the wealthiest districts, consistently taxed themselves more to raise less money (Goettel and Berke, 1972, p. 10). Furthermore, educators were concerned by the relative position of education in the state budget. Although it still received a leading portion, its share had gradually been decreasing as the state expanded into new service areas.

Related to the question of school finance was the issue of property tax assessment. Fortunately for finance reformers, property tax administration, which had been marked by notoriously inconsistent local self assessment (Goettel and Berke, 1972, Appendix H), was the subject of legislation in 1974 and a constitutional amendment in 1976. By the time school finance reform became a salient issue, the question of equalizing assessments had already been addressed.

Putting School Finance Reform on the Agenda

School finance reform first appeared on South Carolina's agenda in 1972, five years before the reform itself in 1977. As with other states, a long history of reform greased the wheels for the final effort. The initial impetus in South Carolina came as a reaction to the *Serrano* case. The state department of education began to worry about the susceptibility of South Carolina's financing to court challenge. Hayes Mizell of the American Friends Service Committee (AFSC) was also concerned, particularly about the impact of the

state's financing system on minority rural, and low income residents. He secured a small grant from the Southern Education Foundation and the consultant services of the Educational Finance and Governance Program of the Syracuse University Research Corporation. The resultant report, *Financing Public Education in South Carolina: Problems and Prospects*, was released in November 1972, with press conferences and a series of meetings. It addressed the issue of inequity in South Carolina school finance for the first time.

Mizell also initiated discussions with other interested groups, primarily the League of Women Voters and the South Carolina Education Association (SCEA), the teachers' organization. The former organization had studied school financing since the late sixties, the latter was primarily interested in obtaining more money for education. While raising the level of education funding would of course translate into more money for teachers, a public posture in behalf of more adequate education was difficult to attack in a state which spent as little on schools as South Carolina.

In March of 1973, the United States Supreme Court handed down the *Rodriguez* decision. It immediately put a damper on talk of reform. Although the case left the road open for challenges on state constitutional grounds, it seemed to question the very use of equal protection arguments in education. The state department of education no longer felt a court challenge was imminent in South Carolina which diminished its resolve to continue official interest in reform. Yet its leaders were in favor of change and wanted the issue of reform kept alive. Hayes Mizell was contacted by State Superintendent of Education Cyril Busbee and by Jesse Coles, deputy superintendent of education. He was asked to keep up the pressure for change.

In the spring of 1973, the AFSC, the League and SCEA called a conference which led to the formation of the Citizen's Coalition on South Carolina School Financing. In addition to the three organizations which called the conference, the coalition was composed of the South Carolina Congress of Parents and Teachers, the American Association of University Women, the Christian Action Council, the Columbia Urban League, the NAACP, the South Carolina Chamber of Commerce Education Committee and the South Carolina Farm Bureau Association. The state department of education and the School Boards Association served as consultants, feeling that they officially represented the establishment and preferring to play down their role.

The coalition was deliberately broad based. It stood in favor of the general goals of fairness and equity without espousing any particular reform solution so as not to alienate any of its member organiza-

tions. It saw its role as building a momentum for change and to that end concentrated on educating, first the leaders of its member organizations, then their memberships and the general public. Utilizing speeches and slide shows, flyer information packets and charts, the campaign to educate South Carolina's citizenry was many faceted and costly. A grant to South Carolina League of Women voters from the National League of Women Voters' Education Finance Reform Project made many of these activities possible. South Carolina League Education Chairman Jay Soode, also served as coalition chair and the League did much of its work through the coalition.

It was during this post-*Rodriguez* period that the issue of school finance reform truly became a public issue. Throughout this period, there remained the possibility that a court case would be filed; in fact, many participants saw Hayes Mizell in the role of potential litigator. He and the education community were wary of one another. The coalition served as a perfect opportunity for Mizell to keep the reform momentum going while he remained in the background threatening eventual court action should the coalition's efforts fail to bear fruit. Most of those active in South Carolina's reform credit the coalition for keeping the school finance issue alive in the wake of *Rodriquez*.

The Governor's Committee

In the 1974 campaign for governor, both candidates addressed education issues. Governor James B. Edwards, a Republican, came to office in 1975 pledged to change education finance. His special assistant for education and manpower, Roger Kirk, was studying school finance for his doctorate and urged Edwards to appoint a study committee on school finance in early 1975. The Governor's Committee for the Equalization of Educational Finance was composed of representatives from the state department of education, the coalition, the South Carolina legislature, district school board members and school superintendents. It was chaired by Cecil Tucker, professor of education administration at the University of South Carolina; Roger Kirk served as vice-chairman. The committee provided a formal arena in which the outsiders (the coalition) and the insiders (members of the state department of education as well as local district people) could talk. It was the committee which secured the issues of finance reform its place on the public agenda. Its report was to serve as the basis for the legislation which eventually passed the legislature. As was the case in other states, a commission of this kind served as a forum for compromise among the major participants. The participants could hammer out a position within the commission meeting room and present one unified stance to the governor and legislature.

Almost simultaneously with the inauguration of the governor's committee, the South Carolina legislature had taken its own initiative in the reform process. As a result of discussions between Terry Peterson, research associate of the SCEA and Baron Holmes, research director of the house ways and means committee, the speaker of the South Carolina house requested assistance in developing a new finance system from the Legislative Education Action Project (LEAP) of the National Conference of State Legislatures. In February 1975, John Callahan, LEAP staff director, made the first of many visits to South Carolina. For the next two years, he worked closely with Holmes in developing the technical expertise necessary to evaluate alternative school financing plans.

February 1975 was also an important month for the coalition. The first issue of *Fair School Finance*, a newsletter published by AFSC in the name of the coalition, was mailed to the coalition mailing list, legislators, journalists and others. Its publication was made possible by a grant from the National Urban Coalition.

The governor's committee met from the spring of 1975 through the beginning of the 1976 legislative session. Callahan and Holmes served as consultants to it, investigating alternatives with computer simulations. However, the committee did not systematically explore one alternative after another. Always in its collective consciousness was the model of the Florida reform and the final product it recommended was greatly influenced by this example. The committee's recommendations were released in March 1976. The proposed finance plan included the following elements: (1) a foundation program designed to level-up expenditures in poor districts; (2) a pupil weightings system for special education needs; (3) a phase-in period to allow districts to reach minimum local effort requirements; and (4) an incentive plan, or power equalized add-on for expenditures above the Foundation level. To ward off potential opposition, the committee recommended that past state aid be held harmless.

The Legislature Acts

The governor's committee recommendations were drafted into legislation by Kirk and introduced during the 1976 legislative sessions by two reform supporters, Representative Nicholas Theodore and Senator James Waddell. There was no intention to act on the legislation during that session. The aim was to familiarize legislators with the principles and aims of the bill. The bill was referred to committee in each house. During the remainder of the 1976 session, Senator Waddell, Roger Kirk, Baron Holmes and others worked to explain the bill to legislators and to enhance the base of support. At the same time, Cecil Tucker and Roger Kirk met with

school superintendents across the state and the coalition's education activities intensified. The League polled all the legislative candidates in 1976 and publicized their stands on the bill.

During the remainder of 1976 and the first half of 1977, the SCEA began to play a more visible and important role. In addition to and apart from its coalition activities, the association urged its members to become politically active in the 1976 elections. SCEA members tied its endorsement of candidates to the candidates' support of public education (League of Women Voters, 1978b, p. 25). SCEA's Fleming and Peterson were very effective lobbyists, also. They were available on a daily basis, always answering questions and providing information. It is a reflection of their influence that the legislation was modified to include a statewide minimum salary scale, a provision which the SCEA wanted very badly.

The bill underwent other changes during the 1976 session and after its reintroduction in February of 1977, the changes were hammered out by a loose working group of members from the education and finance committees to meet specific opposition in advance of a floor fight. The strategy was eminently successful; when the bill came to a vote, it passed overwhelmingly. To answer potential opponents in the house, and at the urging of Senator Waddell, an accountability section was added. The section mandated school site advisory councils, basic skills testing, staff development programs and annual reporting. The stiffest opposition occurred in the senate when Senators Waddell and Chapman, who managed the bill's progress, ran into antagonism from senators representing wealthy districts, underfunded majority black districts and fiscal conservatives. The wealthy were at least partially mollified by a modification which permitted districts to take longer than five years to raise their local effort to minimum level provided they increased by a minimum percentage each year and which added an inflationary adjustment to the hold harmless clause. Senator Gresette, a senior senator from an underfunded district, was a staunch opponent. However, his opposition was politically, ethically and legally unacceptable, particularly since a recent report (Sherman, 1977) from the Lawyers' Committee for Civil Rights Under Law pointed to his county as one of those in which desegregation had been followed by a millage cut. The fiscal conservatives were perhaps the hardest to satisfy. In fact, in recognition of their opposition, proponents decided to push only for passage of the reform legislation and to postpone the issue of funding.

The reform legislation was signed into law on June 10, 1977. In July 1978, $345 million was appropriated as part of the budget to fund the act. During the appropriations process, further modifications were made in the bill, the most important of which limited increases

in total state appropriations and mandated that no locally-raised revenues leave a school district. The latter provision amounted to a reprieve for wealthy districts which did not have to raise their tax rates to the minimum effort if that tax rate would raise more than the foundation level of funding.

Summary

The South Carolina experience was marked by a large number of committed, hard-working participants from both within and outside of government. An interesting aspect of the reform effort is that almost every national organization which was at the time active in school finance reform had some role in the South Carolina story. The League of Women Voters' Education Finance Reform Project and the National Urban Coalition funded the coalition's education efforts. LEAP assisted the legislature; the Lawyers Committee' School Finance Reform Project printed the underfunding report which had an impact on senate passage of school finance reform. If one remembers the SURC consultant's original report, and glances at the advisory boards of all these national institutions, it seems as if every school finance consultant in the country was at one time or another involved in assisting South Carolina. Yet the striking fact is that it is not only this national attention that seems to have accounted for successful reform, but also the devotion and exertion of the South Carolinians themselves.

In South Carolina, as in Maine, virtually every major policy actor was active in the reform process. Governor Edwards and his aide Kuk, legislators Waddell and Chapman, legislative staff, typified by Holmes, all were key protagonists. The state department of education was no passive bystander; its leaders favored reform and attempted to keep the pressure on even after the *Rodriguez* case seemed to put a damper on reform efforts. Finally, interest groups played a crucial role. Mizell and Soode are credited with making school finance an issue while the SCEA's lobbying may have been responsible for assuring the passage of reform.

Politics of School Finance Reform in California: Round 2*

In 1977 California enacted major school finance reform, once again. In AB 65, Californians got a comprehensive piece of legislation that provided for: (1) substantial foundation program increases; (2) the

*Much of the analysis of passage of AB 65 rests on two reports of the California reform by Kloss and Hayward, 1978.

freezing of the state-local ratio in the provision of funds so as to prevent slippage of the state share; (3) a guaranteed yield add-on for all but the richest districts; (4) a modest recapture program; (5) a minimum tax rate intended to force very wealthy districts to produce excess revenues for recapture purposes; (6) the extension to all districts of wealth equalization for voted tax rates which overrode district revenue limits; (7) the reduction of basic aid (the flat grant); and (8) a large increase in funds for the disadvantaged which may be used by recipient districts as part of general revenue.

That this $4-plus billion package should come so soon after SB 90 and two major revampings should occur in one decade, reflects a political factor unique to the California situation. Throughout the entire period, the court maintained its presence as the arbiter of reform. From *Serrano I* in August 1971, through *Serrano II* in December 1976, it was the court that set the perimeters of reform, made the demands, and pushed for greater and greater compliance.

SB 90: The Aftermath

No one involved in the passage of SB 90 believed that it represented full compliance to *Serrano*. Certainly those in the legislature who wished to address *Serrano* more directly were disappointed, as the case study of the SB 90 passage points out. SB 90 did focus on the plight of low wealth districts, it did raise the foundation level and limit expenditure growth in wealthy districts. It did not remove the relationship between education spending and local wealth as the court had mandated. The political stream behind the passage of SB 90 came from support for property tax relief, not from demands for *Serrano* compliance.

Although bills passed after SB 90 continued to raise the foundation level and clean up funding loopholes, they made no more progress toward *Serrano* compliance than had the original reform. Furthermore, although SB 90 addressed spending disparities, primarily through differential revenue, tax rate disparities actually increased in the period after the bill's passage. Assessed values grew at great rates, often at a faster rate than the revenue limit adjustments in high wealth districts. Therefore, these districts received substantial tax rollbacks.

The most significant event in the period between the passage of SB 90 and the passage of AB 65 was Judge Jefferson's 1974 decision in *Serrano* and its affirmation by the State Supreme Court in December 1976. He began hearing the case in Los Angeles Superior Court shortly after SB 90's passage and his decision made it clear that the

bill did not comply with the 1971 decision; the system of school financing in California remained unconstitutional. Jefferson found that there were still wealth-based disparities and that two features of the system were particularly anti-equalizing: the $125 basic or flat grant which went to all districts, rich or poor, and the existence of permissive and/or voted overrides of district revenue limits which allowed wealthy districts to exceed their mandated limits.* He set a standard for reform that was far more specific than any standard mandated by any other court in a school finance case. By September 1980, the legislature was to provide for a system of financing which reduced wealth-based expenditure disparities to less than $100 per pupil. Clearly, the legislature had to go significantly beyond SB 90 to meet that standard.

The state appealed Jefferson's decision, of course. But the outcome of the California Supreme Court's 1976 ruling, upholding Jefferson's decision, was expected by all state policy makers. The question was not whether the state would have to respond to *Serrano II*, but how and when.

AB 65: The Origins

Never was there a dearth of ideas as to how *Serrano* compliance might be addressed. Concepts such as power equalizing were proposed for California as far back as *Serrano I*. Numerous proposals had been made by task forces established by the state board of education and the senate education committee. In the late 1960s, the legislative and executive branches had begun an effort to establish a common data base and to build the technical capacity to analyze various reform approaches.**

Months before the supreme court's affirmation of Jefferson, it was clear that the 1977 legislature would have to address anew the *Serrano* mandate. In August 1976, Governor Brown asked the department of finance to design school finance legislation and to include it as part of a comprehensive school finance reform package. Brown was encouraged to do this by Wilson Riles, the popular state superintendent of public instruction who had figured so prominently in SB 90's package. Riles was anxious to expand a program which had been enacted by the 1972 legislature at the same time as SB 90. That program, the Early Childhood Education (ECE) program, reformed and restructured K-3 education. By 1976, over half of all the California students in those grades were covered by the program

*Permissive overrides required only board approval, voted overrides were up to the voters of a district.

**For a discussion of California's simulation and its successful implementation see Keen, 1978.

which focused on individualized instruction, and parental involvement in local school site governance councils. Riles and John Mockler, one of his aides, spent much time and effort convincing Brown to go for comprehensive reform, addressing both education and school finance concerns. It can be inferred that education reform was Riles' price for SDE support of any school finance bill proposed by the department of finance.

Therefore Brown had Riles, his aides urging action and anticipation of the supreme court ruling, spurring him on. In addition, he had the knowledge that there was a substantial state surplus derived from inflationary increases in the state sales and income tax and reflecting the tight spending policies of both Reagan and Brown himself.

AB 65 and the Legislature

From the finance department's initial consideration of the problem at Brown's direction, the emphasis was on the development of legislation which would "substantially comply" with *Serrano*. There was recognition that other goals — the necessity to hold down state taxes, for example — were as important. Full compliance was expensive and politically explosive; and it was hoped that "substantial compliance," going a long way to meet the *Serrano II* mandate, would satisfy the court.

On Jan. 14, 1977 Brown announced his plan to the state board of education. It incorporated concepts such as district power equalizing and recapture which had long been considered by California reformers. It proposed the elimination of basic aid and raised the foundation level as well as proposing the Riles' education reform and some special student programs.

The plan was praised by some and criticized by others, especially those from wealthy districts. It was introduced as AB 65 into the legislature in March 1977 by Assemblyman Leroy Greene, chairman of the education committee. He exacted several changes such as modification of the categorical funding scheme.

Around the same time, Senator Al Rodda, the senate's education expert, introduced his own bill, SB 525. This senate version was very different from AB 65, stressing *Serrano* equalization only. Although it also failed to propose complete conpliance, it focused on the issue and went further than the assembly bill. The senate had an additional problem with the assembly bill. Many members were wary of the education reform program, fearing that it really meant increased monitoring by the SDE which would evaluate the functioning

of the local councils. The California School Boards Association and teacher organizations also opposed the plan. The local councils would enhance the input of parents and students and there could be a concomitant loss of educator autonomy. The senate measure served as an alternative to AB 65. The final bill would be comprehensive like the assembly version but would reflect changes enacted with the senate's version as a bargaining lever.

The legislative course of AB 65 was affected by well-organized lobbying efforts. The traditional education interest groups as well as good government groups had been organized by Riles into the Educational Congress of California for the passage of SB 90. The education interest groups also organized an informal gathering, "The Tuesday Night Conspiracy." Meeting every Tuesday night, these Sacramento-based lobbyists developed their own prototype proposal for reform. They used it in lobbying; it was an indication of what kind of bill all these lobbyists with diverse viewpoints could live with. They also lobbied separately for individual organizational goals. The groups involved in this network included the California Federation of Teachers, the California Teachers Association, the Association of California School Administrators and the California School Boards Association. There were also some groups representing very specific constituencies: the Schools for Sound Finance (SF2), an association of high wealth districts; the Association of Low Wealth Schools (ALWS) and the Big Five, a group of representatives of the five largest school districts. These last districts ranked high on property wealth and the urban lobbyists were forced to concentrate on categorical and special urban programs, not on basic equalization issues.

These groups had a very strong impact. Some of the Tuesday Nighters' prototype proposals were incorporated into AB 65. Urban interests succeeded in securing special compensatory education aid for their largest school districts; this aid does not have to be spent categorically. The high wealth districts were able to modify the original recapture proposal. The assembly Black and Chicano caucuses had virtual veto power over any portion of the legislation affecting minority or disadvantaged students.

Other effective lobbyists were the state department of education staff. They and legislative staffers were available with computer printouts showing the bill's effects on individual districts. It is a credit to Riles' influence that the school improvement program, while modified from Brown's original proposals in recognition of senate opposition, was still a major aspect of the reform.

AB 65 emerged from conference in August 1977 and was passed overwhelmingly by both houses. It was signed by Brown in September.

Not all reformers accept AB 65 as a good faith effort to comply with *Serrano II*. They charge that the governor, the state board and the state superintendent of instruction never attempted to approach full compliance and that "substantial compliance" is not satisfactory. *Serrano* attorneys were planning to return to court and the State had hired a private attorney to defend against further court action.

Summary

As was the case with SB 90, the passage of AB 65 involved the active participation of all major actors on the California scene. The governor and the chief state school officer initiated the reform measure. State board, legislative leaders and staff, the state department of education, and education and special interest groups all influenced the course and shape of the legislation. Interestingly, interest group fragmentation did not prevent their cooperation. The fact that such disparate groups were able to develop a prototype legislation indicates that effective participation in school finance reform need not be nullified by the increasingly diverse goals of education interest groups.

The one actor whose presence must never be forgotten when analyzing the California situation is the court. Observers doubt whether any reform at all would have taken place without *Serrano*; certainly, the courts' stance accounts for the fact that California saw two major reforms in the same decade.

Proposition 13

If the judiciary shaped school finance in California for most of the decade, a new force had now entered the political arena. The populace, acting through the right of referendum, had decisively shaped the future of school and much noneducation financing.

On June 6, 1978 Californians approved Proposition 13 by a two to one margin. They voted to limit the property tax to one percent of 1975 face market value. In addition, assessment increases are controlled and any increase or change in taxes at the state or local level requires a two-thirds popular vote.

The effect of Proposition 13 on school financing is likely to be profound. Its impact may make SB 90, AB 65 and all the other bills so

much alphanumeric soup. There will be no immediate disastrous shortfall of funds on the local level because the state is using its surplus for 78-79 funding. In the longer run, if there is a uniform statewide, one percent property tax as Proposition 13 implies and the balance of school funding comes from state sources, a completely equalized situation could result. It will depend entirely on the state's distribution scheme and how much state funds were available.

It is important to note that under the current distribution of surplus funds, districts are receiving aid in proportion to district wealth but not without regard to current spending levels. The legislators could not bring themselves to completely eradicate all spending gaps.

Furthermore, serious questions about state versus local control are being raised in the wake of Proposition 13. Analysts are all adopting a wait-and-see attitude, sure of only one thing, that California's attempts to deal with school financing remain fascinating. It is also clear that the people have made their voice heard, going farther than was ever imagined toward wresting control of education decisions from traditional education interests.

VI. School Finance Reform and State Politics

In this booklet it has been suggested that the politics of education at the state level have been shown to be undergoing many modifications. Governors and legislators are increasingly involved in education policy making, an arena that traditionally has been isolated from general government. State level education decisions were once left primarily to the education establishment, the network of state departments of education and education interest groups. In recent years, however, governors and legislators and education actors together, along with a host of noneducation interests, have joined to bring education policy into the province of governmental policy in general, to end whatever isolation may have existed.

It should be pointed out that the isolation of education policy making was to some extent merely mythological. Governors and legislators have always dealt with education; education has long led other functions in the scramble for state funding and gubernatorial budget control alone insured the governor a role in education policy. Educators and noneducators both have helped promote the myth that education and politics are separate. Such a myth assures educators autonomy and is faithful to the progressive tenets which reformed state and local governments in the early 20th century. The reformers argued that education was best left to expert administrators removed from the throes of corrupting partisan politics. However, the mythology strongly influenced reality. As was pointed out earlier, general government was often placed in the position of merely ratifying education decisions already made by the experts in SDEs and interest groups.

In Chapter I the gradual diminishing of the barriers between education policy makers and general government were discussed. It was pointed out that all institutions of government at the state level are experiencing changes which are working to further interrelationships and to end expert dominance. In Chapter II, it was shown that the hegemony of the education interest groups is also coming to a close as those groups are increasingly internally fragmented.

In Chapters IV and V, eight case studies of school finance reform were presented in order to illustrate the extent of these changes. School finance reform has had a unique role in the state politics of education. If there was ever an education issue in which general

government was active despite the tradition of isolation, it was finance. When it came to dollars, governors and legislators had to take an interest. They had to question expert decisions more thoroughly on money matters than on other issues because the responsibility for allocating scarce dollars fell to them. Hence the very saliency of school finance in the seventies, the fact that finance reform was the state education issue, did as much to boost the role of general government in education politics as did the changes each actor was experiencing.

Lessons Learned From the Case Studies

The eight case studies presented in this booklet are informative on several levels. For those interested in achieving reform, these studies offer several insights about the ingredients of successful reform. For example, in state after state, reform occurred when gubernatorial or legislative commissions did much of the compromising in advance of legislative action. All the major interests were represented, were consulted and were addressed. In some cases, side payments were made to bring in reluctant supporters while in others modifications addressed opposition in advance. In South Carolina, for example, the concerns of wealthy districts were addressed by the governor's committee when it recommended hold harmless legislation. Similarly in Missouri, rural interests were met with increased transportation aid and an income factor. In Oregon, the one case study of reform that failed, compromise was the missing ingredient. Knowing that they could defer final decision making to the people in the referendum process, the legislators did not truly develop a compromise solution.

A second key component of successful reform was the availability of a fiscal surplus. Only in South Carolina was there a need to defer a funding decision in order to achieve passage of a reform bill; in the other states the availability of excess revenue made reform possible. The New Mexico case is a good example. Reform proponents successfully dealt with a number of substantive roadblocks, e.g., granting rural districts a sparsity factor. However, a final barrier, disagreement over funding level, might have severely damaged reform prospects. The governor and the legislature were growing further apart on funding level when the realization that there would be a large state surplus enabled them to come to agreement.

A third factor influencing success was court pressure. The two California cases indicate that *Serrano* was the impetus for reform in that state. Although California is a state in which governors took the initiative in reform, it is clear that neither Reagan nor Brown would have acted as they did were it not for *Serrano*. What is even

more fascinating is the effect of *Serrano* on the other states discussed in this volume. All were clearly aware of it; governors in each state felt that they faced a potential court suit unless there was reform. The Florida case illustrates that even a nonschool finance case can affect the course of reform. The Florida assessment decision threw a wrench in the progress of reform and shaped its legislative history.

Fourth, every state discussed benefited from the attentions and expertise of the national reform network. Its contributions are clearest in South Carolina where the state League of Women Voters received support from the National League's Education Reform Project and the Lawyers Committee's work on underfunding had a dramatic impact. The National Urban Coalition, the National Conference of State Legislatures and scholars from Syracuse University also played major roles.

Finally, the case studies indicate vividly that reform is not likely to take place overnight. Reform generally follows years of prior effort and study, years during which policy makers, staff and citizen representatives acquire the necessary expertise and skills. By the time reform is achieved, it can usually be seen in retrospect as a logical progression from previous proposals and formula changes even though it may appear at the time to be radical in nature. For example, the ideas embodied in California's AB 65 had all been proposed previously by one study group or another. When it became clear to Governor Brown that the court would mandate further finance reform, it was relatively simple for his department of finance to put together a package based on proposals made by earlier studies. Concomitantly, reform requires a great deal of technical expertise. Such expertise either develops as a result of long experience with reform issues or must be obtained through the use of consultant talent.

The Early and Mid-Seventies Compared

In addition to presenting valuable lessons for potential reformers, the case studies highlight an interesting comparison. The politics of reform seem very consistent over the whole period studied. There are not many differences between the politics analyzed in the five 1973 cases and the three 1977 cases. There are no striking changes, no vast differences in issues.

Analysts noted, of course, that the 1974 recession caused a considerable slowing in the pace of reform. Beyond that change, it was hypothesized by some that the issues surrounding reform might differ in the post-recession period. Declining enrollments should be a much greater factor, causing legislators to hesitate about pumping

new money into a shrinking enterprise. The growth in interest in accountability might adversely affect reform progress; at the least it should influence the type of reform, increasing the education component of reform packages. Demands for tax relief are even more fervent these days and, in contrast to the earlier seventies, people are not satisfied with one-shot relief achieved by a massive infusion of state funds at the time of reform. Instead they want permanent caps on local spending and they are more adamant about local property taxes. New interest in the adequacy as well as the equity of education funding is also apparent; lower court cases in Washington and Ohio questioned leaving any funding decisions to the whims of voters even when local capacity was equalized. These cases and the recent *Levittown v. Nyquist* decision in New York seem to suggest there may be a level of funding the state may have to guarantee and that level may vary because of education costs and needs.

All these new trends seem destined to shape reform in the eighties. Certainly they affected reform outcomes in the three states that acted in 1977. For example, in both South Carolina and California the inclusion of an education governance, or accountability, component was a major issue in reform.

However, it is even more striking that in these later cases the crucial compromises that made reform possible were very similar to the issues around which reform turned in 1973. Urban versus rural, wealthy versus poor; these are the traditional cleavages that reform must address — at any time and in any state. The very nature of equalization involves a certain basic set of politics, the politics of mollifying the "haves" while aiding the "have nots," and this has not changed. The similarities between the earlier five and the later three case studies are much more striking than the differences.

School Finance Reform: The Actors

For the purposes of this booklet, the most informative aspect of the case studies concerns the light they shed on the education policy-making process. Without exception, they indicate that general governmental actors were deeply involved in reform politics. Governors and legislators were crucial to the reform process in each state and at all phases of policy making. In the area of school finance reform, there was no sovereign realm of education experts, no longer any hegemony by education interests. State departments of education were more likely to take a back than a front seat; education interest groups were often paralyzed by the divisive nature of reform issues. Noneducation interest groups may be even more active than education ones.

In only one state analyzed here did the governor play less than a leading role in school finance reform. In Oregon, McCall, unable to run for reelection, went out on a limb for reform. Curtis of Maine included reform in his budget message but knew when to take a back seat and let legislative leaders take over. California's Reagan and Brown both initiated reform efforts as did Askew of Florida and King of New Mexico. Finally, South Carolina's Edwards also called a commission and supported reform, making it an election issue. The fact that governors initiated and steered reform proposals through the legislature clearly indicates how important an education policy-making role they have assumed.

Legislative leaders were just as crucial. Katz of Maine and Goode of Missouri stand out in particular. Katz and Goode had to act without the governor's active support; in Maine because it was wiser for Curtis to take a back seat and in Missouri because the governor was only a cautious proponent. It was these legislators who masterminded and executed a strategy for reform resorting to all varieties of compromise and persuasion to convince their colleagues.

As a further indication of general government involvement in education, in two of the cases partisan politics were very evident. In Maine, Republican legislators distrusted the Democratic governor's finance proposal. In Oregon, Republican McCall had more success with Democratic legislators than with those of his own party. The bitter partisanship certainly demonstrates that education is not separated from politics in those two states.

In contrast to the activity of governors and key legislators, state departments of education have not been the engineers of reform. Though the SDEs were more often than not in the background, in Maine, New Mexico and Missouri the SDEs were quiet but active participants. In Florida, the SDE was originally hostile but did finally become an active reform supporter. In South Carolina, the state department supported reform but was not in the foreground, choosing to stay behind the scenes. Only in California did the chief state school officer loom as a commanding figure whose activities determined the course of reform. Wilson Riles is a unique figure and his role in reform was unique. He insured the passage of both SB 90 and AB 65 by marshalling interest group support and shaped both reforms with his governance proposals.

Like the state departments, the traditional education interest groups once dictated school aid policy. They were able to do that because other actors deferred to them, but they were also in a position internally to dominate policy. United ranks of teachers, administrators and boards found it easy to develop school aid formulas

when it was merely a question of all districts receiving more aid. Now these groups have been torn asunder by unionization and accountability and are further paralyzed by reform issues that divide membership into wealthy versus poor and urban versus rural districts. The paralysis was particularly evident in New Mexico and Missouri. Education interest groups could agree only on the necessity to get more education dollars and split over distribution formulas. Florida's interest groups also took a small role. Only in California and South Carolina were the traditional education interests very active. In California, they could agree enough on formula options to develop their own prototype proposal. In South Carolina, the SCEA lobbied extremely skillfully.

School finance reform has had the effect of broadening the array of interests expressing themselves on education issues. Since finance reform intimately involves issues of taxation, it is not surprising that taxpayer, business and like interests should have been active. Such was the case in California and Oregon, for example. The Maine Municipal Association was also a key actor. Furthermore, finance reform has activated a whole series of previously uninvolved groups. The interesting question is whether these newcomers to education policy will stay involved. The urban and minority interests are a prime example. Urban and minority legislators were very important in shaping both of California's reforms. Urban groups of school districts also were active in California. In Missouri, Florida and New Mexico urban and rural school districts each saw that they had special interests which required organization to protect. Minority groups such as the Urban Coalition were very important in South Carolina. In many states the League of Women Voters was active. The League's involvement in education activities is not new but its leadership role, surpassing traditional interests, is novel.

Since the case studies all focus on school financing, one cannot assume that the changes in education policy making exist for all education issues. However, as was pointed out earlier, the growing involvement of general government stems from a variety of sources and should impact on a variety of issues. Furthermore, school finance is closely allied to other education issues such as accountability and minimum competency testing. The politics shaping one issue tend to carry over to related issues. As the eighties approach, bringing with them increased competition for governmental dollars and growing demands for limitations on government spending, education will be even less able to maintain the traditional isolation of the past. Education was never wholly separate from politics; in the wake of school finance reform, the myth of separation appears ever more fanciful.

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